


# Governor's Executive Budget

## Fiscal Years 2004-2005

## Governor Judy Martz
## State of Montana

## Volume 2
## Proprietary Funds, Information Technology and Reference




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# LONG-RANGE PLANNING

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OBPP Staff

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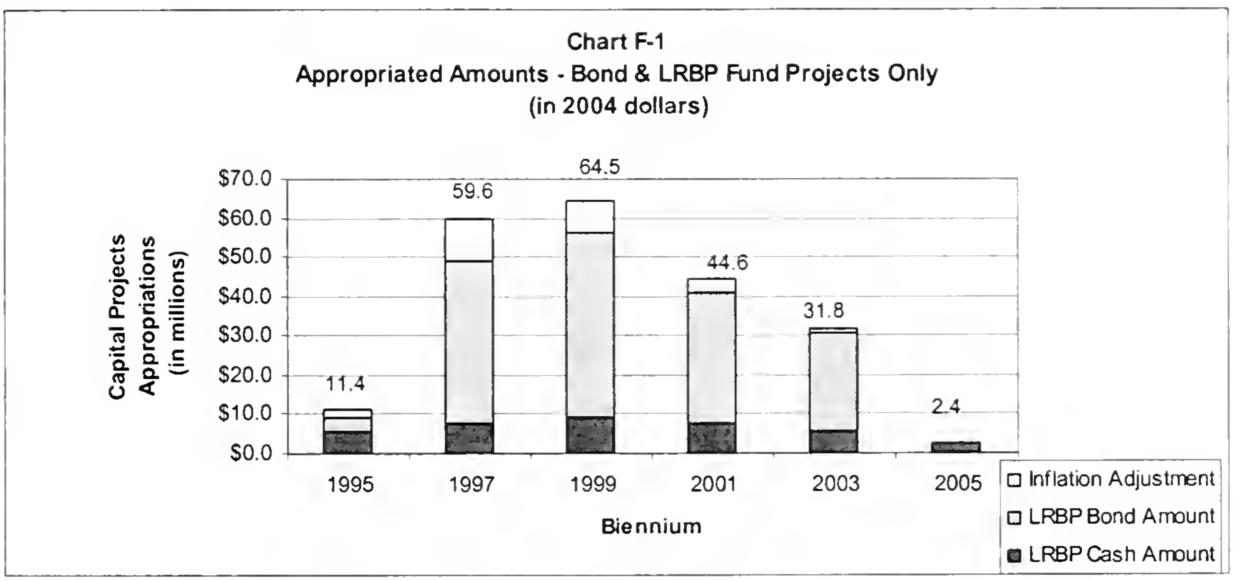
# Long-Range Building Program

**Purpose -** The Long-Range Building Program was initiated in 1965 to provide funding for construction and maintenance of state buildings. The LRBP was developed in order to present a single, comprehensive and prioritized plan for allocating state resources for capital construction and maintenance of state-owned facilities. Primary statutory authority is Title 17, Chapter 7, part 2, MCA.

**Executive Recommendation -**

- **Volume 3 of the Governor's 2005 biennium Executive Budget** contains the complete LRBP project applications and recommended project descriptions, which total $46,234,312. All recommended projects are listed on Table F-2.
- **HB 5** contains $2,381,500 LRBP, $22,035,000 state special revenue, $11,189,212 federal special revenue, and $10,628,600 other funds for a total of 36 projects and $46,234,312 in the cash bill.
- Highest priorities in the cash recommendations for the 2005 biennium are safety and deferred maintenance projects statewide.
- Due to the continuing revenue shortfall, the executive recommends extension of the "temporary" reduction of coal severance tax revenue from 12 percent to 10 percent, the same percentage cut which was authorized by the August 2002 Special Session. The proposed building program reflects a $1.226 million reduction for the 2005 biennium, subject to passage and approval of the legislation. See Chart F-1 below for a comparison of recent bond and LRBP fund capital projects appropriations.
- The total LRBP debt service is budgeted at $12.258 million in FY 2004 and $11.667 million in FY 2005, compared with a high of about $20.8 million in FY 1995.




**Since the Last Session -**

- During the August 2002 Special Session, the revenue to the LRBP account was reduced by $644,000 in FY 2003 through passage and approval of HB 10 and the funds were deposited to the general fund. Six previously authorized projects were reduced in HB 10 to achieve the savings.
- Since last session, the Architecture and Engineering Division has completed expansions at Pine Hills Correctional Facility and the Montana Women's Prison and the renovation of Renne Library at Montana State University. Construction has started for the new Reception Unit at the Montana State Prison and is nearing completion at the Bozeman Armed Forces Reserve Center. Construction disputes for the Capitol Renovation and Montana State Hospital Expansion have been resolved.

**Language Recommendation -**
The following language will be included in the introduced version of **HB 5**:

"The department of fish, wildlife and parks, the department of military affairs, and the department of transportation are authorized to transfer money appropriated in this bill among fund types."

# Long-Range Building Program

"The appropriation of $600,000 to the department of administration for capitol complex land acquisition is the last priority for use of the capital land grant revenue during the 2005 biennium and is dependent upon the availability of increased revenue."

**Funding -**

- Cigarette tax revenue is projected at $3.269 million for the 2005 biennium.
- Coal severance tax revenue is projected at $6.128 million.
- State buildings energy savings transfers by the DEQ are $404,295.
- See Table F-1 below for presentation of the LRBP account revenue estimates for the 2005 biennium.

**Table F-1**

**REVENUE ESTIMATE**
**LONG-RANGE BUILDING PROGRAM ACCOUNT**
**PROJECTIONS AS OF NOVEMBER 11, 2002**
**2005 BIENNIUM**

| | | |
|---|---|---|
| **Estimated Beginning Cash Balance (July 1, 2003)** | | ($1,022,054) |
| **Revenues:** | | |
| Cigarette Tax | $3,269,000 | |
| Coal Severance Tax | 6,128,000 a) | |
| Interest Earnings | 251,100 | |
| Supervisory Fees | 202,192 | |
| DEQ Transfer - Energy Savings | 404,295 | |
| **Total Revenues** | | 10,254,587 |
| **Funds Available** | | 9,232,533 |
| **Expenditures:** | | |
| Operating Costs - A & E Division | (2,371,082) | |
| Debt Service - 1996D, 1997B, and 1999C Issues | (4,476,245) b) | |
| **Total Expenditures - Excluding Capital Projects** | | (6,847,327) |
| **Funds Available For Capital Projects** | | 2,385,206 |
| **Funding Proposals** | | |
| Capital Construction Program - LRBP Projects Only | | (2,381,500) |
| **Balance Remaining** | | $3,706 |

a) Based on declining revenue and the proposed extension of the "temporary" reduction of severance taxes from 12% to 10%
b) CST portion only - less the funding switch to the GF

**Table F-2**

Long-Range Building Program

| Priority | Agency | Project Description | Funding Sources | | | | |
|---|---|---|---|---|---|---|---|
| | | | LRBP | State Special | Federal Special | Other Funds | Total |
| 1 | Statewide | Roof Repairs & Replacements | 956,000 | 0 | 0 | 0 | 956,000 |
| 2 | UM--Butte | Replace Electrical Primary Radial System | 170,500 | 0 | 0 | 190,000 | 360,500 |
| 3 | Statewide | Code/Deferred Maint. & Disability Access | 550,000 | 0 | 0 | | 550,000 |
| 4 | Statewide | Repair/Replace Detiorated Campus Infrastructure | 400,000 | 0 | 0 | 0 | 400,000 |
| 5 | DOA | Capitol Renovation Arbitration | 305,000 | 0 | 0 | 0 | 305,000 |
| 6 | DOA | State Public Health Laboratory, Phase 2 | 0 | 0 | 1,474,000 | 0 | 1,474,000 |
| 7 | DOA | Repair Front Stairs at State Capitol | 0 | 0 | 0 | 530,000 | 530,000 |
| 8 | DOA | Capitol Complex Land Acquisition | 0 | 0 | 0 | 600,000 | 600,000 |
| 9 | COR | Dairy Expansion--Corr Enterprises, MSP | 0 | 0 | 0 | 725,000 | 725,000 |
| 10 | UM | General Spending Authority | 0 | 0 | 0 | 3,500,000 | 3,500,000 |
| 11 | DPHHS | Demolish Dormitory at MT Veteran's Home | 0 | 0 | 0 | 231,600 | 231,600 |
| 12 | DPHHS | Renovate Historic "Old Main" Building at MT Veteran's Home | 0 | 0 | 0 | 2,252,000 | 2,252,000 |
| 13 | MDOT | New Equipment Storage Facilities, Statewide | 0 | 3,000,000 | 0 | 0 | 3,000,000 |
| 14 | MDOT | Facility Maintenance, Repair and Small Projects, Statewide | 0 | 2,000,000 | 0 | 0 | 2,000,000 |
| 15 | DMA | Federal Spending Authority | 0 | 0 | 2,000,000 | 0 | 2,000,000 |
| 16 | DMA | Re-roof Armories Statewide | 0 | 0 | 90,212 | 0 | 90,212 |
| 17 | FWP | Future Fisheries Program | 0 | 910,000 | 0 | 0 | 910,000 |
| 18 | FWP | Fishing Access Site Maintenance | 0 | 275,000 | 0 | 0 | 275,000 |

# Long-Range Building Program

**Table F-2, cont.**

Long-Range Building Program

| Priority | Agency | Project Description | Funding Sources: LRBP | State Special | Federal Special | Other Funds | Total |
|---|---|---|---|---|---|---|---|
| 19 | FWP | Fishing Access Site Protection | 0 | 600,000 | 0 | 0 | 600,000 |
| 20 | FWP | Fishing Access Site Acquisition | 0 | 550,000 | 200,000 | 0 | 750,000 |
| 21 | FWP | Hatchery Maintenance | 0 | 575,000 | 575,000 | 0 | 1,150,000 |
| 22 | FWP | Community Fishing Ponds | 0 | 0 | 50,000 | 0 | 50,000 |
| 23 | FWP | FWP Dams Repair | 0 | 500,000 | 0 | 0 | 500,000 |
| 24 | FWP | Habitat Montana | 0 | 6,900,000 | 0 | 0 | 6,900,000 |
| 25 | FWP | Upland Game Bird Program | 0 | 2,300,000 | 0 | 0 | 2,300,000 |
| 26 | FWP | Wildlife Habitat Maintenance | 0 | 800,000 | 0 | 0 | 800,000 |
| 27 | FWP | Migratory Bird Stamp Program | 0 | 225,000 | 0 | 0 | 225,000 |
| 28 | FWP | Bighorn Sheep Enhancements | 0 | 75,000 | 0 | 0 | 75,000 |
| 29 | FWP | Motorboat Recreation Site Improvements | 0 | 1,250,000 | 0 | 0 | 1,250,000 |
| 30 | FWP | Cultural & Historical Park Improvements | 0 | 800,000 | 0 | 0 | 800,000 |
| 31 | FWP | Federal Land & Water Conservation Fund Grants | 0 | 0 | 2,900,000 | 0 | 2,900,000 |
| 32 | FWP | Federal Trails Grants | 0 | 0 | 1,900,000 | 0 | 1,900,000 |
| 33 | FWP | Federal Off Highway Vehicle Trails Grants | 0 | 375,000 | 0 | 0 | 375,000 |
| 34 | FWP | Federal Wallop/Breaux Projects | 0 | 0 | 1,500,000 | 0 | 1,500,000 |
| 35 | FWP | Administrative Facilities Repair & Maintenance | 0 | 800,000 | 0 | 0 | 800,000 |
| 36 | FWP | Montana Wildlife Rehabilitation and Nature Center Complex | 0 | 100,000 | 500,000 | 2,600,000 | 3,200,000 |
| TOTAL LONG RANGE BUILDING PROGRAM | | | $2,381,500 | $22,035,000 | $11,189,212 | $10,628,600 | $46,234,312 |

# Treasure State Endowment Program

**Purpose -** The Treasure State Endowment Program (TSEP), administered by the Department of Commerce, is a coal tax-funded program designed to assist communities with infrastructure financing as authorized by Montana voters with passage of Legislative Referendum 110 in 1992. The program is defined in Title 90, Chapter 6, part 7, MCA. Goals for the program include:

- create jobs for Montana residents;
- promote economic growth in Montana by helping to finance the necessary infrastructure;
- encourage local public facility improvements;
- create a partnership between the state and local governments to make necessary public projects affordable;
- support long-term, stable economic growth in Montana;
- protect future generations from undue fiscal burdens caused by financing necessary public works;
- coordinate and improve infrastructure financing by federal, state, local government, and private sources; and
- enhance the quality of life and protect the health, safety, and welfare of Montana citizens.

**Executive Recommendation -**

- **Volume 4 of the Governor's 2005 biennium Executive Budget** contains the department's evaluation of each of the TSEP applications and the detailed recommendations.
- Under current law, about $17.2 million in net endowment interest will be available for TSEP grant awards for the 2005 biennium.
- The executive is recommending that TSEP receive only $8.742 million or a little more than half of the available interest and that coal severance tax trust fund flow be amended beginning July 1, 2003, so that 75 percent of the amount in the coal severance tax bond fund, instead of the current 50 percent, would be transferred to TSEP until June 30, 2013. For the short-term loss over the 2005 and 2007 biennia, the TSEP program would realize a long-term gain in the amount available for grants.
- The executive is recommending in proposed legislation that a portion of the 50 percent currently available for TSEP, or about $8.458 million for the 2005 biennium, be diverted to replace the general fund in the K-12 school facility payments currently paid for with general fund. The plan frees up a little over $4 million general fund each year, which the executive recommends using to begin three-year enrollment averaging in FY 2005 in order to even out revenues for schools in the face of declining enrollments.
- **HB 11** contains the list of projects recommended for TSEP grants funding. For the 2005 biennium, there was a record-number 55 applications submitted, requesting $21,902,149 in TSEP grants funds. The recommended projects are listed on Table F-3.
- The department and the executive are recommending a 1.00 FTE civil engineer for the TSEP due to the increasing number of projects and technical engineering issues related to the preliminary engineering studies and emergency projects.
- Finally, a few of the previously authorized projects that are requesting to change the scope of their project or that have not yet moved to construction may be brought back to the Legislature for further consideration.

**Since the Last Session -**

- Since the 2001 Legislature met, the department has started administering two new types of TSEP grants: preliminary engineering grants and emergency grants.
- The TSEP *Application Guidelines* were extensively revised and now contain a provision that allows the department to recommend an award greater than $500,000.

# Treasure State Endowment Program

**Table F-3**

TSEP Applicants and the Amount of Dollars Recommended

| Rank | Applicant | Type of Project | Amount Requested | Proposed Grant Award [1] | Cumulative Proposed Award |
|---|---|---|---|---|---|
| 1 | Lewis & Clark County | Bridge | 170,575 | 170,575 | 170,575 |
| 2 | Judith Basin County/Geyser District | Water | 330,000 | 330,000 | 500,575 |
| 3 | Madison County | Bridge | 249,058 | 174,529 | 675,104 |
| 4 | Chinook | Wastewater | 500,000 | 500,000 | 1,175,104 |
| 5 | Sweet Grass County | Bridge | 235,954 | 235,954 | 1,411,058 |
| 6 | Stillwater County | Bridge | 500,000 | 500,000 | 1,911,058 |
| 7 | Power-Teton County District | Water | 500,000 | 500,000 | 2,411,058 |
| 8 | Richland County | Bridge | 351,625 | 351,625 | 2,762,683 |
| 9 | Stanford | Water | 500,000 | 500,000 | 3,262,683 |
| 10 | Hamilton | Water | 500,000 | 500,000 | 3,762,683 |
| 11 | Troy | Water | 500,000 | 500,000 | 4,262,683 |
| 12 | Scobey | Wastewater | 500,000 | 500,000 | 4,762,683 |
| 13 | Missoula | Wastewater | 500,000 | 500,000 | 5,262,683 |
| 14 | Blaine County | Bridge | 480,400 | 322,782 | 5,585,465 |
| 15 | Upper-Lower River Road District | Water & Wastewater | 500,000 | 500,000 | 6,085,465 |
| 16 | Polson | Water | 500,000 | 500,000 | 6,585,465 |
| 17 | Conrad | Water | 500,000 | 500,000 | 7,085,465 |
| 18 | Glendive | Stormwater | 139,133 | 139,133 | 7,224,598 |
| 19 | Sheavers Creek District | Water | 500,000 | 500,000 | 7,724,598 |
| 20 | Gallatin County | Bridge | 500,000 | 500,000 | 8,224,598 |
| 21 | Gardiner/Park County District | Water | 500,000 | 500,000 | 8,724,598 |
| 22 | Philips Co Green Meadows District | Water | 112,500 | 112,500 | 8,837,098 |
| 23 | Geraldine | Water | 500,000 | 500,000 | 9,337,098 |
| 24 | Missoula County | Wastewater | 499,335 | 499,335 | 9,836,433 |
| 25 | Ramsay County District | Water | 255,000 | 255,000 | 10,091,433 |
| 26 | Cooke City-Park County District | Water | 500,000 | 500,000 | 10,591,433 |
| 27 | Worden-Ballentine District | Water | 500,000 | 500,000 | 11,091,433 |
| 28 | Wolf Point | Wastewater | 500,000 | 500,000 | 11,591,433 |
| 29 | Ryegate | Water | 478,700 | 478,700 | 12,070,133 |
| 30 | Cascade County | Bridge | 230,840 | 230,840 | 12,300,973 |
| 31 | Libby | Water & Wastewater | 500,000 | 500,000 | 12,800,973 |
| 32 | Beaverhead County District (Wisdom) | Wastewater | 500,000 | 500,000 | 13,300,973 |
| 33 | Hill County | Bridge | 175,803 | 175,803 | 13,476,776 |
| 34 | Jordan | Water | 459,883 | 459,883 | 13,936,659 |
| 35 | Pablo-Lake County District | Wastewater | 500,000 | 500,000 | 14,436,659 |

# Treasure State Endowment Program

**Table F-3, cont.**

TSEP Applicants and the Amount of Dollars Recommended

| Rank | Applicant | Type of Project | Amount Requested | Proposed Grant Award [1] | Cumulative Proposed Award |
|---|---|---|---|---|---|
| 36 | Ekalaka | Wastewater | 212,697 | 154,197 | 14,590,856 |
| 37 | Pondera County | Bridge | 137,500 | 137,500 | 14,728,356 |
| 38 | Black Eagle District | Wastewater | 214,200 | 214,200 | 14,942,556 |
| 39 | Lake County Solid Waste District | Solid Waste | 500,000 | 500,000 | 15,442,556 |
| 40 | Sheridan County | Bridge | 210,775 | 210,775 | 15,653,331 |
| 41 | Whitefish | Water | 500,000 | 500,000 | 16,153,331 |
| 42 | Belgrade | Wastewater | 500,000 | 500,000 | 16,653,331 |
| 43 | Yellowstone County | Bridge | 172,710 | 172,710 | 16,826,041 |
| 44 | St. Ignatius | Wastewater | 500,000 | 500,000 | 17,326,041 |
| 45 | Lockwood District | Water | 500,000 | 500,000 | 17,826,041 |
| 46 | Columbia Falls | Water & Wastewater | 220,000 | 220,000 | 18,046,041 |
| 47 | Pleasant View Homesites District | Water | 210,140 | 210,140 | 18,256,181 |
| 48 | Butte-Silver Bow | Water | 403,006 | 403,006 | 18,659,187 |
| 49 | Three Forks | Water | 327,000 | 327,000 | 18,986,187 |
| 50 | Big Sky District | Wastewater | 500,000 | 500,000 | 19,486,187 |
| 51 | Helena | Stormwater | 500,000 | 500,000 | 19,986,187 |
| 52 | Homestead Acres District | Water | 147,815 | 147,815 | 20,134,002 |
| 53 | Columbus | Stormwater | 500,000 | 500,000 | 20,634,002 |
| 54 | Miles City | Water | 500,000 | 500,000 | 21,134,002 |
| 55 | Meadowlark District | Wastewater | 477,500 | 0 | 21,134,002 |
| Total | | | 21,902,149 | 21,134,002 | 21,134,002 |

[1] The amount recommended if there are sufficient monies to fund the project.

# Reclamation and Development Grant Program

**Purpose** - The Reclamation and Development Grants Program (RDGP) was established by the Montana Legislature in 1987 to enable funding for projects that indemnify the people of Montana for the effects of mineral development on public resources and that meet other crucial needs serving the public interest and the total environment of the citizens of Montana. Administered by the Department of Natural Resources and Conservation (DNRC), the RDGP fulfills this mission by funding projects that (1) repair, reclaim, and mitigate environmental damage to public resources from nonrenewable resource extraction, and (2) develop and ensure the quality of public resources for the benefit of all Montanans. The RDGP Act is Title 90, Chapter 2, part 11, MCA.

**Executive Recommendation -**

- **Volume 5 of the Governor's 2005 biennium Executive Budget** contains the complete project evaluations and funding recommendations for the RDGP. Table F-4 on the following page lists the recommended projects.
- **HB 7** presents the reclamation and development grant recommendations, which total $2,995,24997 for the 14 of the requested 26 projects for which there is expected to be funding.
- Project grants are matched by about $8 million in non-RDGP funds from a variety of state, federal, private and local sources.
- Due to the 50 percent reduction in funds available following special session action, a significant portion of the remaining available funds are statutorily-required to be spent: $600,000 for the Montana Board of Oil and Gas and $800,000 in abandoned mines priorities. This leaves about $1 million for all other projects.
- Representative mineral development-related projects include reclamation and cleanup of the Washington, Drumlummon and Bluebird Mines, evaluation of coal bed methane development, and numerous oil and gas wells located throughout Montana.
- Non-mineral projects include restoration of artesian aquifers and the rehabilitation of a public water supply system.

**Since the Last Session -**

- During the August Special Session, HB 10 cut the revenue for RDGP grants by 50 percent and it will take three years for the program to recover.
- During the interim, DNRC received 26 RDGP grant applications requesting $7,251,983 in RDGP funding in the 2005 biennium. These projects were reviewed and ranked by a team of specialists.
- Most of the project work has been reclamation of abandoned hard rock mines, hazardous waste sites, and plugging and site restoration of orphaned oil and gas wells.

# Reclamation and Development Grant Program

| Table F-4 | | | | |
|---|---|---|---|---|
| 2005 Biennium Reclamation and Development Grants | | | | |
| Ranked Order | Applicant | Project Name | Recommended Amount | Cumulative Amount Recommended |
| 1 | Montana BOGC | 2003 Northern District Plug & Abandonment | $300,000 | $300,000 |
| 2 | Montana BOGC | 2003 Southern District Plug & Abandonment | $300,000 | $600,000 |
| 3 | Montana DNRC | Planning Grants | $150,000 | $750,000 |
| 4 | Montana DEQ | Washington Mine & Millsite Reclamation | $300,000 | $1,050,000 |
| 5 | Big Horn CD | State-Line Groundwater Monitering Network for Tongue and Powder River Watersheds | $300,000 | $1,350,000 |
| 6 | Sunburst, Town of | Sunburst Water Supply Renovation | $185,249 | $1,535,249 |
| 7 | Montana BOGC | Fate & Transport of Impounded Coal Bed Methane Water | $200,000 | $1,735,249 |
| 8 | Montana DEQ | Drumlummon Tailings, Goldsil - Argo Millsite & Mine Waste Reclamation | $300,000 | $2,035,249 |
| 9 | Toole County | 2003 Plugging & Abandonment Aid to Small Independent Operators | $240,000 | $2,275,249 |
| 10 | Montana DEQ | Blue Bird Mine Reclamation | $200,000 | $2,475,249 |
| 11 | Sheridan County CD | Protecting Natural Resources by Reclaiming Oilfield Brine Contaminated Soils | $150,000 | $2,625,249 |
| 12 | Montana Governor's Office | Growing Carbon "Applying Market-Based Conservation Through Carbon Sequestration" | $150,000 | $2,775,249 |
| 13 | Fergus County CD | Cental Montana Aquifer | $150,000 | $2,925,249 |
| 14 | Judith Basin CD | Judith Basin Aquifer Restoration & Conservation | $70,000 | $2,995,249 |

# Renewable Resource Grant & Loan Program

**Purpose -** The Renewable Resource Grant and Loan Program offers funding for projects that conserve, manage, develop, and preserve renewable resources to provide economic and other benefits of the state's natural heritage. The Department of Natural Resources and Conservation (DNRC) administers the program, which is provided for in Title 85, Chapter 1, part 6, MCA. Governmental entities may apply to the program to obtain funding for community resource-related projects. Project eligibility covers a wide spectrum including irrigation system rehabilitation, stream restoration, watershed management, public water and sewer systems, and resource assessment projects.

**Executive Recommendation -**

- **Volume 6 of the Governor's 2005 biennium Executive Budget** contains the complete project evaluations and funding recommendations for all grant and loan applications. Table F-5 below shows the recommended projects.
- **HB 6** presents the renewable resource grants recommendations for legislative action.
- Grant funding is limited to $3.8 million and would provide funding for the first 38 of the 73 applications.
- Funding is recommended in the bill for 62 projects, in order of priority, for a total of $6 million, in keeping with the DNRC policy of including all projects that meet minimum technical and financial feasibility requirements.
- The highest priority grant will be to rehabilitate and upgrade wastewater facilities in Scobey.
- Other projects include North Fork of the Smith and other dam rehabilitation, Yellowstone River Floodplain management projects in three separate counties, watershed restoration projects, including the headwaters of Ashley Creek in the Flathead River Basin, irrigation rehabilitation projects, and numerous proposals for municipal water and sewer systems.
- **HB 6** recommends provision of $125,000 in emergency grants to communities for projects that present immediate threats to public health.
- **HB 8** presents the renewable resource bonds and loans recommendations from applications that total $2,312,995 in new requests.

**Since the Last Session -**

- As of October 2002, the DNRC entered into grant agreements with 42 of the 46 grantees that received appropriations from the 57th Legislature for a total of $4,300,741 approved to date.
- Six grants were awarded for emergency repairs to municipal water systems or exploration for water for municipal water systems and for fire-related rehabilitation in the Bitterroot Valley.
- Thirty-eight project planning grants were issued.
- Twenty-two private grants were issued for a total of $39,451.

# Renewable Resource Grant & Loan Program

**TableF-5**
2005 Biennium Renewable Resource Grant and Loan Program

| | Sponsor Project | Recommended Amount | Cumulative Total |
|---|---|---|---|
| 1 | Scobey, City of - Wastewater System Improvements | 100,000 | 100,000 |
| 2 | Dawson County - Yellowstone River Floodplain Mgmt | 100,000 | 200,000 |
| 3 | Flathead Basin Commission - Ashley Creek Headwater Restoration | 99,700 | 299,700 |
| 4 | Missoula, City of - Rattlesnake Neighborhood Sewer Collection System | 100,000 | 399,700 |
| 5 | North Powell CD - Blackfoot River Habitat, Water Quality & Restoration | 62,600 | 462,300 |
| 6 | MT Agriculture, Dept. of - Monitoring Well Network for the Assess. of Ag Chemicals | 100,000 | 562,300 |
| 7 | Paradise Valley Irrigation District - Hillside Lateral | 100,000 | 662,300 |
| 8 | Ramsay County WSD - Water System Improvements | 100,000 | 762,300 |
| 9 | Missoula County - Mullen Road Corridor Sewer Project - Phase I | 100,000 | 862,300 |
| 10 | Park County - No Park Cnty Water Resources Protection & Mangmt Plan | 100,000 | 962,300 |
| 11 | Sheaver's Creek WSD - Water System Improvements | 100,000 | 1,062,300 |
| 12 | Stanford, Town of - Water System Improvements | 100,000 | 1,162,300 |
| 13 | Hamilton, City of - Water Distribution System | 100,000 | 1,262,300 |
| 14 | Park County Cooke City Water District - Water System Improvements | 100,000 | 1,362,300 |
| 15 | Milk River Joint Board of Control - St. Mary Siphon Expansion Joint Replacement | 100,000 | 1,462,300 |
| 16 | Buffalo Rapids - Refit of Glendive Pumping Plant | 100,000 | 1,562,300 |
| 17 | Mill Creek Irrigation District - Mill Lake Dam Rehabilitation | 100,000 | 1,662,300 |
| 18 | MT DNRC/Water Resources Div - Seepage Monitoring Project- DNRC Dams | 97,646 | 1,759,946 |
| 19 | Sidney Water Users Irrigation District - Increasing Irrigation Efficiency | 100,000 | 1,859,946 |
| 20 | Stillwater County - Yellowstone River Floodplain Mngmt within Stillwater Cnty | 100,000 | 1,959,946 |
| 21 | Yellowstone County - Yellowstone River Floodplain Mangement | 100,000 | 2,059,946 |
| 22 | Worden Ballantin Yellowstone County WSD - Water Distribution System | 100,000 | 2,159,946 |
| 23 | Ryegate, Town of - Water System Improvements | 100,000 | 2,259,946 |
| 24 | Malta Irrigation District - Replacement and Modification of Check Structures | 100,000 | 2,359,946 |
| 25 | Judith Basin County - Geyser Water System Improvements | 100,000 | 2,459,946 |
| 26 | Blackfeet Tribe - Oki Mamii (Hello Fish) | 23,581 | 2,483,527 |
| 27 | Sheridan, Town of - Water System Improvements | 100,000 | 2,583,527 |
| 28 | Pablo-Lake County WSD - Wastewater Treatment System | 100,000 | 2,683,527 |
| 29 | Fort Belknap Irrigation District - Sugar Factory Lateral Project | 100,000 | 2,783,527 |
| 30 | MT DNRC/Water Resources Div - North Fork of the Smith River Dam Rehab | 100,000 | 2,883,527 |
| 31 | Conrad, City of - Raw Water Intake & Pump Station Improvements | 100,000 | 2,983,527 |

**TableF-5**
2005 Biennium Renewable Resource Grant and Loan Program

| | Sponsor Project | Recommended Amount | Cumulative Total |
|---|---|---|---|
| 32 | Lewis & Clark County WQPD - Groundwater Sustainability in North Hills Area, Helena | 100,000 | 3,083,527 |
| 33 | Power Teton County WSD - Water System Improvements | 100,000 | 3,183,527 |
| 34 | Phillips County Green Meadows WSD - Water System Improvements | 100,000 | 3,283,527 |
| 35 | Chinook Division Irrigation JBC - Fresno Dam-Gate Leaf Seals | 100,000 | 3,383,527 |
| 36 | Upper/Lower River Road WSD - Water System Improvements | 100,000 | 3,483,527 |
| 37 | Gallatin Local WQD - Dedicated Monitoring Well Network for the Gallatin Valley | 99,883 | 3,583,410 |
| 38 | Troy, City of - Water System Improvements | 100,000 | 3,683,410 |
| 39 | MT Corrections, Dept of - Rehabilitation of Prision Ranch Dam | 100,000 | 3,783,410 |
| 40 | Fort Shaw Irrigation District - Water Quality & Quantity Improvement - Phase III | 89,122 | 3,872,532 |
| 41 | Butte-Silver Bow - Basin Creek Dams 1 & 2 | 100,000 | 3,972,532 |
| 42 | Hill County - Beaver Creek Dam Outlet Works Repair | 100,000 | 4,072,532 |
| 43 | Melstone, Town of - Water Conservation Project | 99,929 | 4,172,461 |
| 44 | Glasgow Irrigation District - Vandalia Diversion Dam Rehabilitation- Phase III | 100,000 | 4,272,461 |
| 45 | Richland County CD - Irrigation Potential of GW Underlying the Lower Yellowstone Valley | 85,212 | 4,357,673 |
| 46 | Milk River Joint Board of Control - Nelson Reservoir Pumping Design/Construction-Phase I | 100,000 | 4,457,673 |
| 47 | Pablo-Lake County WSD - Water Distribution System | 100,000 | 4,557,673 |
| 48 | Cut Bank, City of - Water System Improvement | 100,000 | 4,657,673 |
| 49 | Pleasant View Homesites County WSD - Water System Improvements | 100,000 | 4,757,673 |
| 50 | Gardiner-Park County WD - Water System Improvements | 100,000 | 4,857,673 |
| 51 | Huntley Project Irrigation District - Anita Reservoir Dam Safety Repairs | 100,000 | 4,957,673 |
| 52 | Whitefish, City of - Water Distribution System | 100,000 | 5,057,673 |
| 53 | Black Eagle Water District - Wastewater | 50,000 | 5,107,673 |
| 54 | MT Mines & Geology, Bureau of - Irrigation Technical Assistance Project | 99,925 | 5,207,598 |
| 55 | Geraldine, Town of - Water System Improvements- Phase II | 100,000 | 5,307,598 |
| 56 | Harlem Irrigation District - Lower Harlem Irrigation Canal Improvements- Phase I | 100,000 | 5,407,598 |
| 57 | Meadowlark WSD - Wastewater Collection System | 100,000 | 5,507,598 |
| 58 | Columbia Falls, City of - 4th Avenue West Water & Sewer | 100,000 | 5,607,598 |
| 59 | Columbus, Town of - Stormwater Improvement | 100,000 | 5,707,598 |
| 60 | Libby, City of - Johnston Acres Water System Improvements | 100,000 | 5,807,598 |
| 61 | Three Forks, City of - Water System Improvements | 100,000 | 5,907,598 |
| 62 | Lake County Solid Waste District - Solid Waste Transfer Station | 100,000 | 6,007,598 |

# Cultural and Aesthetic Grant Program

**Purpose** - The Cultural and Aesthetic Grant Program began in the 1979 biennium Afor protection of works of art in the state capitol and for other cultural and aesthetic projects as provided in 15-35-108, and Title 22, Chapter 2, part 3, MCA. Initially administered by the Montana Historical Society, the C&A program was transferred to the Montana Arts Council in the 1985 biennium and continued to be funded by the interest from a statutory trust that receives coal severance tax revenues. Project applications are submitted to the MAC for review and ranking by the 16-member Cultural and Aesthetic Projects Advisory Committee, half of whom are appointed by the MAC and half by the MHS.

Coal severance tax revenue of 0.63 percent is statutorily allocated to the capitol art protection trust fund for partial funding of the recommended grants. About two-thirds of the projects are arts projects and one-third are history and other cultural projects. Projects offer programs that draw tourists to them, that encourage tourists to stay longer or to spend more because of them.

**Executive Recommendation -**

- **HB 9** contains all the projects recommended by the advisory committee for funding in the amount of $804,150. Projects are organized into four categories: special projects less than $4,500, special projects, operational support, and capital expenditure grants.
- The revenue estimate for cultural trust interest earnings for the 2005 biennium is $575,000.
- Montana Arts Council administration and services [appropriated in HB 2] are recommended for $311,323.
- Montana Historical Society is appropriated in HB 9 the first $30,000 for Capitol Complex works of art.
- The remaining balance of $233,677 will be used for C&A projects in HB 9.
- There also is $499,150 of general fund in HB 9 to continue support of the C&A projects. The total revenue available for grants is expected to be about $732,827. Table F-6 below shows all of the requested and recommended grants.
- Language in HB 9 provides a mechanism for spending the funds within the total revenue available.
- **Volume 7 of the Governor's 2005 biennium Executive Budget** contains the C&A project applications and advisory committee assessment information. Limited copies of this volume are printed for use by members of the Long-Range Planning Appropriations Subcommittee.

**Since the Last Session –**

- The MAC received 98 requests for grant funding totaling $2.5 million which were reviewed and ranked by the Cultural and Aesthetic Projects Advisory Committee.
- The 2001 Legislature appropriated $223,575 general fund for grants in FY 2003. The Montana Arts Council offered $25,000 of that as part of the reductions pursuant to 17-7-140, MCA. Then in the August Special Session, the remaining $198,575 general fund appropriation for FY 2003 grant projects was replaced with lodging facility use tax revenue in HB 8.
- In addition, the flow into the cultural and aesthetic trust fund of $203,000 for FY 2003 was diverted to the general fund. This action resulted in a FY 2003 reduction of about $6,000 in interest income.

# Cultural and Aesthetic Grant Program

**TABLE F-6**

2005 Biennium Cultural Trust Applications & Recommendations

| Grant No. | Request | Request | Rank | Recommendation |
|---|---|---|---|---|
| | SPECIAL PROJECTS < $4500 | | | |
| 1010 | Montana Storytelling Roundup | $4,500.00 | 1 | $4,500.00 |
| 1009 | Miles City Speakers Bureau | $4,500.00 | 2 | $4,500.00 |
| 1003 | Friends of Chief Plenty Coups Association | $4,500.00 | 3 | $4,500.00 |
| 1001 | Council for the Arts, Lincoln | $2,500.00 | 4 | $2,500.00 |
| 1012 | Sunburst Community Service Foundation | $4,500.00 | 5 | $2,700.00 |
| 1008 | International Choral Festival | $4,300.00 | 6 | $4,000.00 |
| 1011 | Montana Wool Growers Association | $4,350.00 | 7 | $3,700.00 |
| 1002 | Crow Tribe | $4,500.00 | 8 | $2,250.00 |
| 1006 | Hobson Community Library | $4,500.00 | 9 | $2,500.00 |
| 1007 | homeWORD | $4,500.00 | 10 | $0.00 |
| 1004 | Heron Players | $3,000.00 | 11 | $0.00 |
| 1005 | Historic Montana Publishing | $4,500.00 | 12 | $0.00 |
| 1000 | City of Townsend | $4,400.00 | 13 | $0.00 |
| | SPECIAL PROJECTS | | | |
| 1029 | Montana Committee for the Humanities | $61,920.00 | 1 | $27,000.00 |
| 1023 | KUFM-TV, Montana PBS | $25,000.00 | 2 | $18,000.00 |
| 1039 | Whitefish Theatre Company | $20,000.00 | 3 | $12,000.00 |
| 1032 | Montana Performing Arts Consortium | $54,000.00 | 4 | $20,000.00 |
| 1035 | Rattlesnake Productions | $30,000.00 | 5 | $15,000.00 |
| 1030 | Montana Historical Society | $24,915.00 | 6 | $12,000.00 |
| 1033 | Montana Preservation Alliance | $41,100.00 | 7 | $15,000.00 |
| 1027 | MonDak Historical and Art Society | $4,500.00 | 8 | $4,500.00 |
| 1020 | Grandstreet Theatre | $30,000.00 | 9 | $10,000.00 |
| 1013 | Art Mobile of Montana | $19,475.00 | 10 | $12,500.00 |
| 1018 | Glacier Orchestra & Chorale | $29,500.00 | 11 | $10,000.00 |
| 1015 | Bozeman Symphony | $34,000.00 | 12 | $10,000.00 |
| 1028 | Montana Alliance for Arts Education | $21,000.00 | 13 | $10,000.00 |
| 1038 | V I A S, Inc | $25,000.00 | 14 | $10,000.00 |
| 1021 | Hockaday Museum of Art | $40,000.00 | 15 | $13,000.00 |
| 1036 | Rimrock Opera | $26,000.00 | 16 | $10,000.00 |
| 1026 | Missoula Symphony Association | $14,000.00 | 17 | $7,000.00 |
| 1034 | Paris Gibson Square | $15,908.00 | 18 | $8,000.00 |
| 1019 | Going-To-The-Sun Institute | $22,500.00 | 19 | $8,000.00 |
| 1040 | Yellowstone Ballet Company | $7,000.00 | 20 | $3,500.00 |
| 1016 | Feathered Pipe Foundation | $13,016.00 | 21 | $2,000.00 |
| 1022 | Huntley Project Museum of Irrigated Agriculture | $32,815.00 | 22 | $4,000.00 |
| 1031 | Montana Mandolin Society | $30,000.00 | 23 | $1,000.00 |
| 1014 | Asylum Pictures | $50,000.00 | 24 | $0.00 |
| 1037 | Sandpiper Gallery | $38,350.00 | 25 | $0.00 |
| 1025 | Missoula Cultural Council | $32,000.00 | 26 | $0.00 |
| 1017 | Federation of Fly Fishers | $20,000.00 | 27 | $0.00 |
| 1024 | Mainstreet Uptown Butte, Inc. | $2,500.00 | 28 | $0.00 |

# Cultural and Aesthetic Grant Program

**TABLE F-6, cont.**

2005 Biennium Cultural Trust Applications & Recommendations

| Grant No. | Request | Request | Rank | Recommendation |
|---|---|---|---|---|
| | OPERATIONAL SUPPORT | | | |
| 1078 | Schoolhouse History and Art Center | $25,000.00 | 1 | $16,000.00 |
| 1050 | Custer County Art Center | $32,000.00 | 2 | $20,000.00 |
| 1083 | Writer's Voice (Billings YMCA) | $32,000.00 | 3 | $20,000.00 |
| 1058 | Great Falls Symphony Association Inc. | $24,000.00 | 4 | $18,000.00 |
| 1061 | MAGDA | $30,000.00 | 5 | $15,000.00 |
| 1059 | Holter Museum of Art | $50,000.00 | 6 | $16,000.00 |
| 1073 | Museum of the Rockies | $60,000.00 | 7 | $15,000.00 |
| 1072 | MT Agricultural Center & Museum | $24,000.00 | 8 | $12,000.00 |
| 1082 | Western Heritage Center | $40,000.00 | 9 | $15,000.00 |
| 1045 | Billings Symphony Society | $45,000.00 | 10 | $15,000.00 |
| 1069 | Montana Repertory Theatre | $70,000.00 | 11 | $15,000.00 |
| 1079 | Shakespeare in the Parks | $35,000.00 | 12 | $15,000.00 |
| 1081 | VSA arts of Montana | $12,000.00 | 13 | $12,000.00 |
| 1041 | Alberta Bair Theater | $40,000.00 | 14 | $15,000.00 |
| 1046 | Butte Center for the Performing Arts | $30,000.00 | 15 | $15,000.00 |
| 1062 | MCT, Inc. | $50,000.00 | 16 | $15,000.00 |
| 1060 | Intermountain Opera | $33,450.00 | 17 | $12,000.00 |
| 1065 | Montana Assoc of Symphony Orchestras | $20,000.00 | 18 | $8,000.00 |
| 1057 | Garnet Preservation Association | $22,000.00 | 19 | $12,000.00 |
| 1084 | Yellowstone Art Museum | $83,000.00 | 20 | $16,000.00 |
| 1077 | Rocky Mountain Ballet Theater | $13,300.00 | 21 | $6,000.00 |
| 1066 | Montana Ballet Company | $10,000.00 | 22 | $5,000.00 |
| 1075 | Myrna Loy Center | $40,000.00 | 23 | $16,000.00 |
| 1047 | Butte Symphony Association | $30,500.00 | 24 | $15,000.00 |
| 1080 | Vigilante Theatre Company | $22,000.00 | 25 | $11,000.00 |
| 1053 | District 7 HRDC Growth Thru Art | $23,500.00 | 26 | $10,000.00 |
| 1074 | Museums Association of Montana | $37,070.00 | 27 | $12,000.00 |
| 1054 | Emerson Cultural Center | $61,790.00 | 28 | $10,000.00 |
| 1049 | Carbon County Historical Society | $20,000.00 | 29 | $8,000.00 |
| 1064 | Montana Arts | $30,000.00 | 30 | $10,000.00 |
| 1071 | Mo-Trans Dance Company | $12,850.00 | 31 | $5,000.00 |
| 1085 | Young Audiences of Western Montana | $12,000.00 | 32 | $8,000.00 |
| 1055 | Gallatin County Historical Society | $15,000.00 | 33 | $7,500.00 |
| 1076 | Northwest Montana Historical Society | $15,098.00 | 34 | $7,500.00 |
| 1068 | Montana Dance Arts Association | $7,500.00 | 35 | $3,000.00 |
| 1044 | Billings Cultural Partners | $10,000.00 | 36 | $2,500.00 |
| 1043 | Big Horn Arts and Crafts Association | $20,000.00 | 37 | $5,000.00 |
| 1048 | Carbon County Arts Guild | $20,000.00 | 38 | $6,000.00 |
| 1067 | Montana Chorale | $11,600.00 | 39 | $5,000.00 |
| 1042 | Artslink, College of Arts & Architecture, MSU | $10,000.00 | 40 | $0.00 |
| 1063 | Miles City Preservation Commission | $10,100.00 | 41 | $0.00 |
| 1052 | Dept of Media & Theatre Arts | $10,000.00 | 42 | $0.00 |
| 1051 | Daly Mansion | $43,500.00 | 43 | $0.00 |
| 1070 | Montana Science Institute | $36,000.00 | 44 | $0.00 |
| 1056 | Garden City Ballet of Montana | $20,000.00 | 45 | $0.00 |

# Cultural and Aesthetic Grant Program

**TABLE F-6, cont.**

2005 Biennium Cultural Trust Applications & Recommendations

| Grant No. | Request | Request | Rank | Recommendation |
|---|---|---|---|---|
| | CAPITAL EXPENDITURE | | | |
| 1086 | Archie Bray Foundation | $50,000.00 | 1 | $16,500.00 |
| 1091 | Great Falls Civic Center | $25,000.00 | 2 | $10,000.00 |
| 1093 | Livingston Depot Foundation | $20,000.00 | 3 | $10,000.00 |
| 1092 | Lewistown Art Center | $10,000.00 | 4 | $2,500.00 |
| 1087 | Art Museum of Missoula | $100,000.00 | 5 | $15,000.00 |
| 1088 | Billings Preservation Society | $19,708.00 | 6 | $10,000.00 |
| 1094 | Moosehorn Club | $2,000.00 | 7 | $2,000.00 |
| 1095 | North Missoula Community Development Corporation | $10,000.00 | 8 | $5,000.00 |
| 1097 | Tobacco Valley Improvement Assoc. Board of Art | $47,250.00 | 9 | $5,000.00 |
| 1089 | Cascade Co Historical Society | $25,000.00 | 10 | $5,000.00 |
| 1096 | Philipsburg School District #1 | $25,000.00 | 11 | $0.00 |
| 1090 | City of Helena | $20,000.00 | 12 | $0.00 |
| | **TOTAL REQUESTED/RECOMMENDED** | $2,472,265.00 | | $804,150.00 |

# Libby Bond Program

The U.S. Environmental Protection Agency (EPA) announced October 24, 2002, that the asbestos contamination in the Libby area has been officially listed on the National Priority List under the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Governor Martz used the state's one and only "silver bullet" to ensure Libby was fast-tracked for listing and subsequent access to federal funding that would ensure timely cleanup of asbestos contamination. Contamination comes from asbestiform fibers found in a fairly unusual vermiculite ore body in the area that had been mined since the 1930s. The administration will recommend **HB 10** for passage and approval to provide the state funding match and related provisions to be administered by the Department of Environmental Quality.

Cleanup initially will consist of asbestos removal in yards and homes in both the Libby and Troy areas. Asbestos contamination occurred when workers from Troy and Libby came home with asbestos imbedded in their work clothes. The asbestos was released into the air and transferred to walls, floors, ceilings, and home furnishings and family members. Vermiculate also was used as a source of insulation for walls and attics. It then worked its way out through cracks and light fixtures. Yards became contaminated when vermiculite was brought home for use in residential yards and gardens. EPA has spent approximately $55 million so far on emergency removal actions to eliminate immediate asbestos threats to public health in the Libby area. These removal actions addressed cleanup of the school track and various businesses in the area. Continued remedial action expenditures are expected to cost another $60 to $65 million in Libby and another $10 million to $15 million in Troy over the next few years.

In the absence of a viable potentially responsible party, the state is required under section 104 of CERCLA to provide a 10 percent match to remedial action expenditures and to provide for 100 percent of any subsequent cost associated with the operations and maintenance (O&M) of the remedy. Thus, the state needs to provide nearly $8 million to match federal remedial expenditures on cleanup. The O&M costs required for this remedy are minimal, so these costs have not been broken out separately. However, Libby is not the only Montana site on the National Priority List; therefore, the department also is requesting another $1 million in authority for contingency purposes.

These funds would be spent incrementally, with the bulk of the expenditure expected to occur during the 2005 biennium. The department will coordinate closely with EPA to determine cash flow needs and thus to sell bonds in increments and in amounts not to exceed actual need.

State participation in CERCLA is provided for in 75-10-600, et. Seq., MCA. In order to fund the state share for work to be undertaken at Libby and Troy, the department proposes to sell CERCLA bonds and to deposit these proceeds into the Hazardous Waste CERCLA account, as authorized under 75-10-623, MCA.

Current statute, 75-10-622, MCA, establishes a separate account for debt service payment for general obligation bonds issued under CERCLA authority. The department is proposing legislation that will flow RIGWA taxes to the debt service account in the amount necessary to pay the annual debt service payments.

If cost recovery from the potentially responsible party were to be successful at some point in the future, recovered state costs would be deposited into the CERCLA cost recovery special revenue account in the state special revenue fund established in 17-2-102, MCA. Money in the CERCLA cost recovery account must be transferred and is statutorily appropriated, as provided in 17-7-502(4), to the CERCLA debt service fund in each fiscal year in amounts not to exceed the amount necessary to make principal and interest payments on bonds and notes issued pursuant to 75-10-623, MCA, or to redeem those bonds.

# State Buildings Energy Conservation Program

**Purpose** - The State Buildings Energy Conservation Program, operated by the Department of Environmental Quality (DEQ), was established by the 1989 Legislature to reduce operating costs in state facilities by identifying and funding cost-effective energy efficiency improvements. The program operates as a profit center for state government, saving money in agency operating budgets and making money for the Long-Range Building Program through investment in these improvements. Statutory authority is Title 90, Chapter 4, part 6, MCA.

**Background** -

- The state sells general obligation (G.O.) bonds, uses the bond proceeds to pay for energy efficiency improvements, then uses the resulting energy cost savings to pay the debt service on the bonds.
- Projects are designed so the cost savings exceed the bond debt service.
- There is incremental savings in the short term while the bonds are being repaid, and substantial savings after ten years, when the bonds are retired.
- Energy efficiency improvements include replacing old, inefficient boilers, upgrading inefficient lighting, increasing ventilation system efficiency, insulating buildings, and providing more effective temperature controls.
- DEQ contracts with private engineering firms to perform comprehensive energy analyses on state buildings and building complexes, and to recommend the energy improvements.
- After energy improvements are in place, the DEQ provides on-going training and technical assistance to facility staff to ensure that energy savings are maintained.
- Energy cost savings realized by participating agencies are transferred to a debt service account and used to retire the bonds.
- A portion of the proceeds from each bond issuance is set aside to fund analysis, design, and program administration for the next round of projects so the program is able to continue without additional federal or state funding.

**Executive Recommendation** -

- **HB 12** recommends issuing G.O. bonds not to exceed $2.5 million for projects during the 2005 biennium.
- The State Buildings Energy Conservation Program will provide an estimated $404,000 to the LRBP cash appropriation in HB 5.
- Approximately a dozen projects are in design, development or construction. All projects are coordinated with the Architect & Engineering Division, which is responsible for the Long-Range Building Program.
- The following projects are recommended for approval in HB 12:

    - Mitchell Building, Helena
    - Spratt Building, Warm Springs
    - Health Sciences Building, U of M Missoula
    - Montana Mental Health & Nursing Care Center, Helena
    - Montana State Prison, Deer Lodge
    - FWP Regional Headquarters, Kalispell and Missoula
    - Other projects that arise which will afford energy savings opportunities.

# PROPRIETARY FUNDS

Section A:
- Judiciary
- Secretary of State
- Department of Transportation
- Department of Revenue
- Department of Administration
- Montana State Fund

Section C:
- Fish, Wildlife & Parks
- Department of Environmental Quality
- Natural Resources and Conservation
- Agriculture
- Department of Commerce

Section D:
- Department of Justice
- Department of Corrections
- Department of Labor & Industry

Section E:
- Office of Public Instruction
- Montana University System

OBPP Staff*

Matt Bugni x4899

*See Reference Page 1 for specific staff assignments

discovering MONTANA the official state website

## PROPRIETARY FUNDS

**Introduction -** Statute does not require enterprise or internal service funds to conform to the same budget development terms and procedures as other funds appropriated by the Legislature. In most cases, planned expenditures by the agencies responsible for these accounts are not reviewed or appropriated by the Legislature.

However, the executive is required by 17-7-123, MCA, to submit as part of the budget to the Legislature "a report on: enterprise funds including retained earnings and contributed capitol, projected operations and charges, and projected fund balances; and (b) fees and charges in the internal service fund type, including changes in the level of fees and charges, projected use of the fees and charges, and projected fund balances . . ." Any proprietary funds that are appropriated in HB 2 are not included in this report. HB 2 funds are shown in the Volume I agency tables, with a cross-reference to HB 576, which is the coding used to designate the non-HB 2 proprietary funds. The "HB 576" coding began in FY 1996 after passage and approval of Chapter 556, Laws of 1995. The coding has been continued as a shorthand matter of convenience.

Presented in this Proprietary Funds section are program narratives, program tables, specific narrative regarding each proprietary fund, the uniformly compiled fund balance tables, which are headed "Report on Internal Service and Enterprise Funds, 2005 Biennium" and applicable rates for internal service funds. This presentation will appear similar to that in the HB 2 sections A through E.

The executive has requested that the proprietary programs discuss relevant decision packages that affect the fund balance and impact the rates. In December 2001, the Legislative Finance Committee discussed internal service funds and encouraged the executive to create decision packages to provide additional information. They should be considered only a tool when reviewing rates for internal service funds, because the Legislature approves the maximum fees and charges for a biennium, rather than approving specific spending authority as in HB 2.

**Enterprise Funds -** The emphasis of this reporting format is on the analysis of fund balances. Enterprise funds (typically funds "060xx") account for operations that are financed and operated in a manner similar to private enterprise, where the intent is to provide goods or services to the general public. Each agency that manages an enterprise fund is prepared to justify and provide documentation for the charges.

**Internal Service Funds -** The emphasis of this reporting format is on the analysis of fees and charges. The internal service funds (typically funds "065xx") account for the financing of goods and services provided by one agency to other agencies of state government. Per 17-7-123(6)(b), MCA, "Fees and charges in the internal service fund type must be approved by the legislature in the general appropriations act. Fees and charges in a biennium may not exceed the level approved by the legislature in the general appropriation act effective for that biennium."

The internal service fund tables list the rates upon which the Legislature must act. Agencies calculated these rates by considering federal guidelines, primarily OMB Circular A-87, since the rates must apply to and approved by federal programs, as well as by considering cash flow, working capitol needs, and current and projected fund equity.

# Judiciary-2110
# Law Library-03

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Operating Expenses | 43,090 | 0 | 0 | 43,090 | 0 | 0 | 43,090 |
| **Total Costs** | **$43,090** | **$0** | **$0** | **$43,090** | **$0** | **$0** | **$43,090** |
| Proprietary | 43,090 | 0 | 0 | 43,090 | 0 | 0 | 43,090 |
| **Total Funds** | **$43,090** | **$0** | **$0** | **$43,090** | **$0** | **$0** | **$43,090** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** Law Library Searches/Research Enterprise Fund - The law library is billed by the on-line provider for the air time, and the law library in turn bills the requesting entity for the cost of the search performed.

**Revenues and Expenses -** The Law Library staff performs on-line searches/research for public and private entities. The law library is billed by the on-line provider for the air time and the Law Library, in turn, bills the entity requesting the search/research, collects the money and pays the provider.

# Judiciary-2110
# Law Library-03

## Report on Internal Service and Enterprise Funds, 2005 Biennium

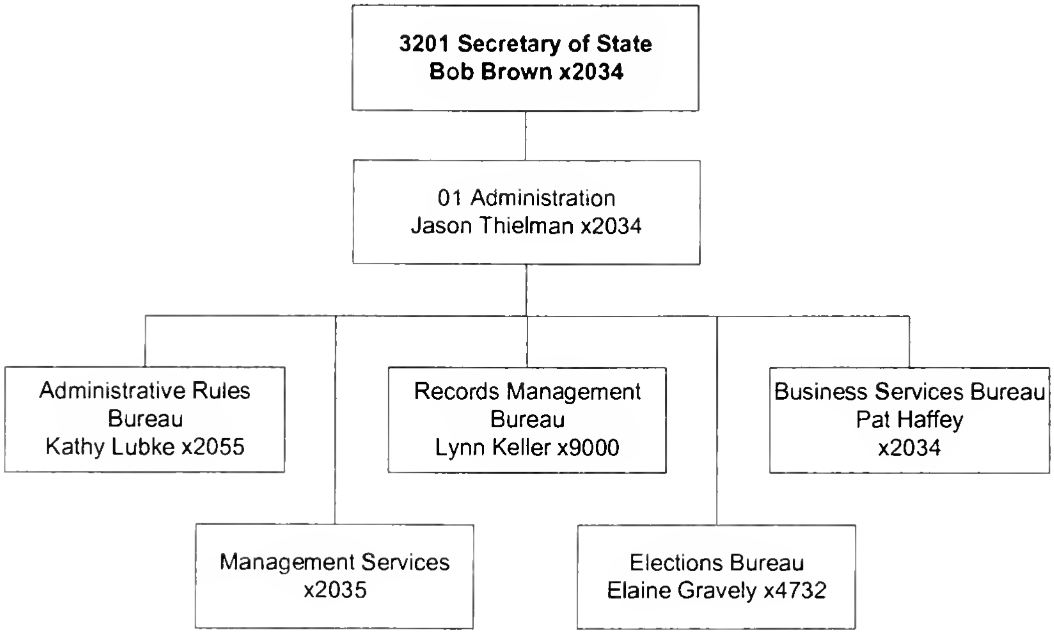
| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06019 | Judiciary Law Library | 21100 | Judiciary | Law Library |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Law Library Legal Research | 39,899 | 31,425 | 47,200 | 49,500 | 50,000 | 50,000 |
| Net Fee Revenue | - | - | - | 49,500 | 50,000 | 50,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 39,899 | 31,425 | 47,200 | - | - | - |
| Total Operating Revenues | 39,899 | 31,425 | 47,200 | 49,500 | 50,000 | 50,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 39,899 | 31,425 | 47,200 | 49,500 | 50,000 | 50,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | - | - | - | - | - | - |
| Other Operating Expenses | 36,962 | 41,118 | 43,090 | 36,962 | 50,000 | 50,000 |
| Miscellaneous, operating | - | - | - | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 36,962 | 41,118 | 43,090 | 36,962 | 50,000 | 50,000 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 36,962 | 41,118 | 43,090 | 36,962 | 50,000 | 50,000 |
| Operating Income (Loss) | **2,937** | **(9,693)** | **4,110** | **12,538** | **-** | **-** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | 2,937 | (9,693) | 4,110 | 12,538 | - | - |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | - | 3,069 | (6,624) | (2,514) | 10,024 | 10,024 |
| Net Income (Loss) | 2,937 | (9,693) | 4,110 | 12,538 | - | - |
| Retained Earnings/Fund Balances - June 30 | **2,937** | **(6,624)** | **(2,514)** | **10,024** | **10,024** | **10,024** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 6,160 | 6,853 | 7,182 | 6,160 | 8,333 | 8,333 |

**Fee/Rate Information:**

The law library performs on-line searches/resaearch for public & private entities. The law library is billed by the on-line provider for the air time; the library, in turn, bills the requestor, collects the money and pays the provider.

# Secretary Of States Office-3201
# Business & Government Services-01




## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 43.80 | 7.45 | 0.00 | 51.25 | 7.45 | 0.00 | 51.25 |
| Personal Services | 1,774,081 | 75,237 | 60,000 | 1,909,318 | 73,230 | 45,000 | 1,892,311 |
| Operating Expenses | 1,048,075 | 49,580 | 546,000 | 1,643,655 | 39,277 | 289,000 | 1,376,352 |
| Equipment | 28,913 | 0 | 90,000 | 118,913 | 0 | 25,000 | 53,913 |
| **Total Costs** | **$2,851,069** | **$124,817** | **$696,000** | **$3,671,886** | **$112,507** | **$359,000** | **$3,322,576** |
| Proprietary | 2,851,069 | 124,817 | 696,000 | 3,671,886 | 112,507 | 359,000 | 3,322,576 |
| **Total Funds** | **$2,851,069** | **$124,817** | **$696,000** | **$3,671,886** | **$112,507** | **$359,000** | **$3,322,576** |

**Program Description** - The Office of the Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. The program receives its entire funding from one enterprise fund and one internal service fund.

**Revenues and Expenses** - The Office of the Secretary of State administers two proprietary funds. The first, an internal service fund, receives revenue from fees charged to state agencies for managing agency records. The second fund is an enterprise fund that receives revenues from fees charged to businesses and corporations for corporate filings, registration of assumed business names and trademarks, for publishing and distributing the Administrative Rules of Montana (ARM) and the Montana Administrative Register (MAR) and for election filing fees and notary fees. The Legislature does not set rates for the enterprise fund.

**Rate Explanation** - Internal service fund rates are based upon a best estimate of the cost to provide each individual service. Fees are fixed for all customers and 100 percent of the costs of operating the Secretary of State's internal service fund operations are recovered by fees.

## Secretary Of States Office-3201
## Business & Government Services-01

### -------------------------------- Present Law Adjustments --------------------------------

| | Total Agency Impact | | General Fund Total | |
|---|---|---|---|---|
| | FY04 | $186,908 | FY04 | $0 |
| | FY05 | $187,397 | FY05 | $0 |

**PL- 1 - Increase FTE for Enterprise Fund -**

This proposal requests 7.45 FTE. The 5.00 FTE seasonal staff will be available from four to eleven months out of the year. Savings from reducing contractor costs, decreasing training time, and creating a pool of returning staff will offset the costs associated with these seasonal positions. In addition, the request includes 0.95 FTE exempt staff, 1.00 FTE mailroom clerk, and 0.50 FTE administrative support.

### -------------------------------------- New Proposals --------------------------------------

| | Total Agency Impact | | General Fund Total | |
|---|---|---|---|---|
| | FY04 | $696,000 | FY04 | $0 |
| | FY05 | $359,000 | FY05 | $0 |

**NP- 2 - IT Plan -**

The Secretary of State's Corporations system was originally developed in 1982, and stores 150,000 business files including 300,000 paper document files, some of which date back over 100 years. The system is used by internal staff to respond to over 52,000 customer service calls each year. The public can access the information on-line as well. The system is used to distribute over 56,000 annual reports that are reviewed for compliance and entered back into the system. Compliance officers use the system to review another 60,000 documents for compliance with statutes regulating registration of business structures including profit and nonprofit corporations, partnerships, limited partnerships, limited liability partnerships, limited liability companies, and professional limited liability companies, assumed business names and trademarks. This application is now 20 years old and ITSD no longer has the capabilities to support it. The project will be financed with existing resources.

Administrative Rules of Montana receives over 8,000 replacement pages per year to the published copy of ARM. Many of these pages are not properly formatted requiring many hours to properly format. Staff from both the Secretary of State and the submitting agency spend too much time formatting and correcting these pages. Through process re-engineering and automation, these pages could be ready both for hard copy printing and submission to the Internet in much less time. The project will be financed with existing resources.

The office has approximately 1500 cu.ft. of boxes or 3,000,000 historically-significant corporate records, e.g., articles of incorporation, by-laws, annual reports. All documents will be filmed and scanned simultaneously and then indexed. The equipment used will be Hybrid Document Scanners capable of creating a digital image and microfilm at the same time. The project will be financed with existing resources.

# Secretary Of States Office-3201
# Business & Government Services-01

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06556 | Records Management | 32010 | Secretary of State | Business & Government Services |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Intra-State Services | 320629 | 336066 | 341007 | 407500 | 455000 | 485000 |
| Miscellaneous Receipts | 42416 | 37010 | 32327 | 42500 | 37500 | 40000 |
| Administrative Fees | 75600 | 98070 | 0 | | | |
| Documents Sold | 26,075 | 42,670 | - | - | - | - |
| Net Fee Revenue | 499,134 | 494,290 | 357,759 | 450,000 | 492,500 | 525,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 26,918 | 20,303 | 14,966 | - | - | - |
| Total Operating Revenues | 526,052 | 514,593 | 372,725 | 450,000 | 492,500 | 525,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 526,052 | 514,593 | 372,725 | 450,000 | 492,500 | 525,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 380,128 | 292,768 | 238,213 | 196,776 | 294,019 | 265,828 |
| Other Operating Expenses | 285,325 | 231,460 | 172,900 | 187,207 | 239,508 | 176,061 |
| Miscellaneous, operating | 2,274 | 3,844 | 4,828 | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 667,727 | 528,072 | 415,941 | 383,983 | 533,527 | 441,889 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 667,727 | 528,072 | 415,941 | 383,983 | 533,527 | 441,889 |
| Operating Income (Loss) | **(141,675)** | **(13,479)** | **(43,216)** | **66,017** | **(41,027)** | **83,111** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | (141,675) | (13,479) | (43,216) | 66,017 | (41,027) | 83,111 |
| Contributed Capital | 6,129 | 6,129 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 92,595 | (49,080) | (56,430) | (99,646) | (33,629) | (74,656) |
| Net Income (Loss) | (135,546) | (7,350) | (43,216) | 66,017 | (41,027) | 83,111 |
| Retained Earnings/Fund Balances - June 30 | **(42,951)** | **(56,430)** | **(99,646)** | **(33,629)** | **(74,656)** | **8,455** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 111,288 | 88,012 | 69,324 | 63,997 | 88,921 | 73,648 |

Requested Rates for Internal Service Funds:

Various rates, that allow for continued support of the office, are requested and are currently published in ARMS or established by the Secretary of State's Office.

# Secretary Of States Office-3201
# Business & Government Services-01

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06053 | Sec Of State Business Services | 32010 | Secretary of State | Business & Government Services |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Filing Fees | 1952067 | 1887720 | 2442291 | 2270000 | 2431838 | 2394394 |
| Administrative Fees | 62,921 | 80,928 | 197,903 | 185,000 | 199,923 | 209,041 |
| Documents Sold | 54,022 | 94,972 | 134,210 | 112,350 | 126,078 | 141,511 |
| Miscellaneous Fees | 4,193 | 5,199 | 35,285 | 4,000 | 37,401 | 38,929 |
| Copy & Certificates Fees | 114,705 | 113,492 | 126,739 | 120,000 | 134,133 | 131,508 |
| Net Fee Revenue | 2,270,143 | 2,240,404 | 2,832,504 | 2,691,350 | 2,929,373 | 2,915,383 |
| Investment Earnings | 47,164 | 51,125 | 27,281 | 40,000 | 20,000 | 10,000 |
| Securities Lending Income | 2,245 | 363 | 492 | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 5,094 | 5,584 | 36,003 | - | - | - |
| Total Operating Revenues | 2,324,646 | 2,297,476 | 2,896,280 | 2,731,350 | 2,949,373 | 2,925,383 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 2,324,646 | 2,297,476 | 2,896,280 | 2,731,350 | 2,949,373 | 2,925,383 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 1,116,943 | 1,259,343 | 1,563,925 | 1,377,485 | 1,624,083 | 1,635,267 |
| Other Operating Expenses | 1,229,363 | 1,307,840 | 800,816 | 1,346,239 | 1,527,336 | 1,258,555 |
| Miscellaneous, operating | 11,236 | 26,704 | 29,220 | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 2,357,542 | 2,593,887 | 2,393,961 | 2,723,724 | 3,151,419 | 2,893,822 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 2,357,542 | 2,593,887 | 2,393,961 | 2,723,724 | 3,151,419 | 2,893,822 |
| Operating Income (Loss) | **(32,896)** | **(296,411)** | **502,319** | **7,626** | **(202,046)** | **31,561** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | (32,896) | (296,411) | 502,319 | 7,626 | (202,046) | 31,561 |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 962,049 | 2,036,932 | 1,740,521 | 2,242,840 | 2,250,466 | 2,048,420 |
| Net Income (Loss) | (32,896) | (296,411) | 502,319 | 7,626 | (202,046) | 31,561 |
| Retained Earnings/Fund Balances - June 30 | **929,153** | **1,740,521** | **2,242,840** | **2,250,466** | **2,048,420** | **2,079,981** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 392,924 | 432,315 | 398,994 | 453,954 | 525,237 | 482,304 |

**Rate Information:**
Various rates are currently published in ARMS or established by the Secretary of State's Office that allow for continued support of the office.

# Department Of Transportation-5401
# State Motor Pool-07

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 6.00 | 0.00 | 0.00 | 6.00 | 0.00 | 0.00 | 6.00 |
| Personal Services | 244,720 | 15,024 | 0 | 259,744 | 15,063 | 0 | 259,783 |
| Operating Expenses | 1,131,919 | 341,859 | 0 | 1,473,778 | 431,617 | 0 | 1,563,536 |
| Equipment | 2,043,298 | 3,114,341 | 0 | 5,157,639 | 2,004,154 | 0 | 4,047,452 |
| Debt Service | 318,652 | 0 | 0 | 318,652 | 0 | 0 | 318,652 |
| **Total Costs** | **$3,738,589** | **$3,471,224** | **$0** | **$7,209,813** | **$2,450,834** | **$0** | **$6,189,423** |
| Proprietary | 3,738,589 | 3,471,224 | 0 | 7,209,813 | 2,450,834 | 0 | 6,189,423 |
| **Total Funds** | **$3,738,589** | **$3,471,224** | **$0** | **$7,209,813** | **$2,450,834** | **$0** | **$6,189,423** |

**Program Description -** The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment (biennial lease) to agencies statewide.

**Other Options to Use of the Program -** Use of the program is optional to agencies when personnel are required to travel by vehicle for official state business, but is encouraged in the Montana Operations Manual. Other options for state employees are: 1) other state-owned vehicles not part of the State Motor Pool fleet; 2) personal vehicles, with authorization provided by the agency director; or 3) vehicles from a private rental agency contract. State law encourages use of the program through a reimbursement rate for use of personal vehicles for state business travel that are set $0.03 per mile lower than the Internal Revenue Services rate unless a State Motor Pool vehicle is not available.

**Significant Program Growth -** The program has increased from 318 units in FY 1994 to 783 in FY 2002. During that time, annual mileage increased from 4.1 million to 11.1 million miles. This growth in the number of vehicles and miles traveled is largely due to the practice of the Office of Budget and Program Planning stipulating agencies to lease new vehicles from the State Motor Pool instead of budgeting agencies to purchase vehicles directly.

| | |
|---|---|
| FYE1996 278 Units | 4,467,473 miles |
| FYE1997 319 Units | 5,357,648 miles |
| FYE1998 389 Units | 6,503,851 miles |
| FYE1999 494 Units | 8,007,999 miles |
| FYE2000 589 Units | 10,212,742 miles |
| FYE2001 715 Units | 11,106,543 miles |
| FYE2002 821 Units | 11,451,900 miles (pre-auction unit totals) Projected |
| FYE2003 836 Units | 11,673,100 miles (pre-auction unit totals) Projected |
| FY 2004 834 Units | 11,042,738 miles (53 units sold & deleted from fleet) Projected |
| FY 2005 864 Units | 11,354,160 miles Projected |

Fluctuations in mileage and in the fleet totals in FY 2002 and FY 2003 are due to the motor pool taking various actions to mitigate for the projected program loss. Actions include running more vehicles in the fleet and purchasing fewer replacement units to decrease the loan and loan interest payments.

**Revenue Description -** Revenue is generated through vehicle rental fees and from the gain on sale of surplus assets. Vehicle rental fees provide the majority -- about 98 percent in FY 2002 -- of the revenue for the program. Rental fee revenues are functionally tied to the travel requirements of various user agencies. The program also receives revenue resulting from accident damages reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage.

# Department Of Transportation-5401
# State Motor Pool-07

Vehicle rental fees come from two service classes: 1) short-term rentals and 2) long-term leases. Short-term rentals serve agency personnel generally located in the Helena area who need to travel to other state locations and return to Helena at the culmination of the travel event. Long-term leases serve agencies with personnel housed in offices in Helena and in other parts of the state and who frequently travel as a normal part of their work assignments. Long-term vehicles are not picked up or returned to the State Motor Pool facilities but are typically housed and managed out of agency office locations and only returned to the State Motor Pool facilities for maintenance or reassignment.

**Expense Description -** The State Motor Pool is responsible for expenses associated with the acquisition, repair, maintenance, and routine operating costs for the fleet. The program pays all costs directly associated with vehicle operations including liability insurance. Motor Pool is reimbursed for costs directly attributable to operator abuse and accident costs caused by an outside party. User agencies can pay for optional full coverage insurance costs associated with employee use of State Motor Pool vehicles. This option is strongly encouraged as it benefits the motor pool by not having to pay for repairs due to accident. It also benefits the user, as repairs can be made and in some cases, when a vehicle is in an accident and considered totaled, the vehicle can be replaced and not restricted by the motor pool's budget.

The majority of the costs of the program are indirect costs, as they cannot be traced directly to specific miles driven by State Motor Pool vehicles. Indirect costs are supported by the assigned rates allocated to the seven classes of vehicles. Direct costs, such as gasoline, oil, and tires, are supported by the usage rates for all seven classes of vehicles. The allocations of indirect costs and direct costs use the same methodology for all rates to which they apply. The program has included a 3 percent increase in projected costs. This has been an industry standard of increase for vehicle purchase costs and projected costs of repairs and maintenance. As unit purchase prices increase, the parts to repair increase accordingly.

The program uses loans from the Board of Investments (BOI) to fund vehicle purchases. Interest rates on BOI loans are adjusted annually and vary from one purchase cycle to the next. The outstanding loan balance and interest and principal payments have the greatest impacts on motor pool rental rates.

**Working Capital Discussion -** Rental rates are set to recover sufficient revenue to meet loan principal and interest payments, operating costs, and allow maintenance of no more than a 60-day working capital balance. If the program does not generate sufficient revenue to make interest and principal payments, a short-term loan would be obtained or assets would have to be sold to satisfy the loan obligations. The program billing and payment cycles support the accumulation of a 60-day working capital balance. User agencies are billed monthly and payments are requested to pay for services by the end of the next month. This allows the program to make monthly expense payments and accumulate adequate working capital to pay quarterly interest payments on the BOI loans and the annual payment on loan principal due June 30th. The program was not able to attain an adequate working capital level during the base year. The program has included a factor to increase the working capital balance in the 2005 biennium rate request.

**Fund Equity and Reserve Fund Balance -** The program rents vehicles for use by other state government entities. The number of vehicles in the program has grown to 783 vehicles, nearly 2 ½ times the 1994 fleet size. Because of this growth and federal regulations, the program needed to borrow funds to purchase new vehicles.
As such, the balance sheet for the program has $13.8 million in equipment assets with vehicles comprising nearly 100 percent of total assets. The equipment assets are depreciated to nearly 30 percent of their cost, for a book value of $9.6 million financed by $7.7 million of long-term debt. The resultant fund equity is $2.1 million or 15.2 percent of total assets. An adjustment to decrease the balance in fund equity is included in the rates. The adjustment is for net income gains from 1998 - 2002. The gains will be reflected in the rates as a decrease and is split equally between each fiscal year.

**Rate Explanation -** The State Motor Pool rental rates are based on a two-tiered rate structure. Users pay a usage rate and an assigned rate. The usage rate is charged for actual miles driven and allows the program to recover costs directly related to the operation of the vehicle, such as repair labor and parts, fuel, lubricants, tires, and tubes. The assigned rate allows the program to cover fixed costs associated with state ownership, such as insurance, principal and interest payments on BOI loans, depreciation, and other indirect expenses. The two-tiered rate structure first used in the 2003 biennium provides: 1) more stable revenue to make loan payments and other cost obligations; and 2) equity among all vehicles classes so that one vehicle class does not subsidize another vehicle class.

The motor pool management system cost history for the two-tiered rate related to direct and indirect costs for each vehicle class was used to project final costs for FY 2002 and FY 2003 and budgeted costs for FY 2004 and F Y2005. Adjustments to current costs were made to allow for additional lease vehicles in the fleet for the 2005 biennium, for increases to the interest rate and operational costs.

The rates using the two-tiered structure are applied as follows for the two components of the State Motor Pool:

Daily rental:

Cost (per occurrence) = (HR x AR) + (AM x MR),

Out-stationed lease:

Cost (annual) = (2920 x AR) + (AM x MR),

where:

HR = number of hours the vehicle was used (Flat rate - 8 hours for each day of use, including weekends);
AR = per hour assigned rate;
AM = actual miles traveled
MR = per mile operated rate.

For the 2005 biennium, the State Motor Pool requests legislative approval of the rates shown in Table 1.

**Table 1**

State Motor Pool Base and 2005 Biennium Requested Rates

| | | FY 2002 | | FY 2004 | | FY2005 | |
|---|---|---|---|---|---|---|---|
| Class | Description | Assigned (per hr) | Usage (per mile) | Assigned (per hr) | Usage (per mile) | Assigned (per hr) | Usage (per mile) |
| 02 | Small Utilities | $1.597 | $0.022 | $2.040 | $0.098 | $2.211 | $0.098 |
| 04 | Large Utilities | $2.116 | $0.056 | $2.251 | $0.099 | $2.469 | $0.099 |
| 06 | Mid-Size Compact | $1.501 | $0.054 | $1.370 | $0.067 | $1.516 | $0.067 |
| 07 | Small Pickups | $1.270 | $0.030 | $1.123 | $0.110 | $1.243 | $0.110 |
| 11 | Large Pickups | $7.832 | $0.056 | $1 284 | $0.123 | $1.451 | $0.123 |
| 12 | Vans | $1.449 | $0.071 | $1.372 | $0.134 | $1.476 | $0.134 |

## -------------------------------- Present Law Adjustments ------------------------------

| | Total Agency Impact | | General Fund Total | |
|---|---|---|---|---|
| | FY04 | $3,146 | FY04 | $0 |
| | FY05 | $3,146 | FY05 | $0 |

**PL- 701 - Overtime and Differential -**

This request is to reestablish base year overtime and differential pay with associated benefits. The biennial cost is $6,292 of proprietary funds.

# Department Of Transportation-5401
## State Motor Pool-07

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $3,114,341 | FY04 | $0 |
| FY05 | $2,004,154 | FY05 | $0 |

**PL- 702 - Additional Units -**

The Office of Budget and Program Planning promotes the use of the State Motor Pool to all state agencies in order to capture the efficiencies of a centralized program, as recommended in a legislative audit several biennia ago. When the need for new or replacement vehicles arises in a state agency, the agency is required to show a savings before the vehicle can be included in its budget rather than in the motor pool. The program would purchase 273 vehicles in FY 2004 and 194 vehicles in FY 2005, including both new and replacement vehicles. The cost of purchasing approved new vehicles as well as replacements for existing fleet vehicles for the 2005 biennium is $5,118,495 of proprietary funds.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $267,473 | FY04 | $0 |
| FY05 | $313,956 | FY05 | $0 |

**PL- 703 - Fuel for Increased Units -**

The request includes $267,473 proprietary fund in FY 2004 and $313,956 proprietary funds in FY 2005 to purchase fuel for the additional vehicles added to the State Motor Pool fleet in these fiscal years.

# Department Of Transportation-5401
# State Motor Pool-07

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06506 | Motor Pool | 54010 | Dept. of Transportation | Maintenance |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Net Fee Revenue | 3,430,021 | 3,586,262 | 3,642,836 | 3,756,000 | 4,076,480 | 4,557,277 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | - | 803 | 3 | - | - | - |
| Total Operating Revenues | 3,430,021 | 3,587,065 | 3,642,839 | 3,756,000 | 4,076,480 | 4,557,277 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 3,430,021 | 3,587,065 | 3,642,839 | 3,756,000 | 4,076,480 | 4,557,277 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 204,463 | 204,104 | 249,998 | 254,309 | 259,744 | 259,783 |
| Other Operating Expenses | 2,787,532 | 3,113,763 | 2,948,220 | 3,139,232 | 4,246,736 | 4,727,494 |
| Miscellaneous, operating | 4,244 | 2,876 | 6,466 | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 2,996,239 | 3,320,743 | 3,204,684 | 3,393,541 | 4,506,480 | 4,987,277 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 2,996,239 | 3,320,743 | 3,204,684 | 3,393,541 | 4,506,480 | 4,987,277 |
| Operating Income (Loss) | **433,782** | **266,322** | **438,155** | **362,459** | **(430,000)** | **(430,000)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | (17,713) | (101,234) | 22,997 | 10,000 | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | (17,713) | (101,234) | 22,997 | 10,000 | - | - |
| Income (Loss) Before Operating Transfers | 416,069 | 165,088 | 461,152 | 372,459 | (430,000) | (430,000) |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 1,965,532 | 1,953,875 | 2,118,963 | 2,580,115 | 2,952,574 | 2,522,574 |
| Net Income (Loss) | 416,069 | 165,088 | 461,152 | 372,459 | (430,000) | (430,000) |
| Retained Earnings/Fund Balances - June 30 | **2,381,601** | **2,118,963** | **2,580,115** | **2,952,574** | **2,522,574** | **2,092,574** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 499,373 | 553,457 | 534,114 | 565,590 | 751,080 | 831,213 |

Fee/Rate Information for Legislative Action:

--------Estimated--------

Requested Rates for Internal Service Funds

| Class | Description | Assigned Rental Hours | 2004 Rate Per HR. Assigned | 2004 Per Mile Operated | 2005 Rate Per HR. Assigned | 2005 Per Mile Operated |
|---|---|---|---|---|---|---|
| 02 | Small Utilities | 2920 | 2.040 | 0.098 | 2.211 | 0.098 |
| 04 | Large Utilities | 2920 | 2.251 | 0.099 | 2.469 | 0.099 |
| 06 | Passenger Cars | 2920 | 1.370 | 0.067 | 1.516 | 0.067 |
| 07 | Small or Std Size Pickups | 2920 | 1.123 | 0.110 | 1.243 | 0.110 |
| 11 | Large 4X4 Pickups | 2920 | 1.284 | 0.123 | 1.451 | 0.123 |
| 12 | Vans | 2920 | 1.372 | 0.134 | 1.476 | 0.134 |

# Department Of Transportation-5401
# Equipment Program-08

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 122.00 | 0.00 | 0.00 | 122.00 | 0.00 | 0.00 | 122.00 |
| Personal Services | 5,060,598 | 665,948 | 0 | 5,726,546 | 684,389 | 0 | 5,744,987 |
| Operating Expenses | 7,225,978 | 402,828 | 0 | 7,628,806 | 526,267 | 0 | 7,752,245 |
| Equipment | 5,743,784 | 676,145 | 0 | 6,419,929 | 676,145 | 0 | 6,419,929 |
| **Total Costs** | **$18,030,360** | **$1,744,921** | **$0** | **$19,775,281** | **$1,886,801** | **$0** | **$19,917,161** |
| Proprietary | 18,030,360 | 1,744,921 | 0 | 19,775,281 | 1,886,801 | 0 | 19,917,161 |
| **Total Funds** | **$18,030,360** | **$1,744,921** | **$0** | **$19,775,281** | **$1,886,801** | **$0** | **$19,917,161** |

**Program Description -** The Equipment Program is responsible for the acquisition, disposal, repair and maintenance of a fleet of approximately 4,600 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units and other specialized equipment. Exclusively the Department of Transportation's various programs such as Construction, Motor Carrier Services, Maintenance, and Right-of-Way use the fleet. All units are assigned to the various user programs and are charged rental on a bi-weekly basis. There are 122.00 FTE in the Equipment Program.

**Program Growth -** The program has increased the fleet size over the last two biennia due to: increased construction program funding from TEA 21, the department's assumption of secondary roads and need for staffing adequate to support, repair and maintain the fleet.

| | |
|---|---|
| FYE1997 4041 Units | 20,115,826 miles |
| FYE1998 4039 Units | 17,508,471 miles |
| FYE1999 4169 Units | 18,712,127 miles |
| FYE2000 4282 Units | 19,602,485 miles |
| FYE2001 4632 Units | 21,962,128 miles |
| FYE2002 4609 Units | 22,855.416 miles |

**Revenue Description -** Revenue is generated through the vehicle/equipment rental fees and from the gain on sale of surplus assets. Vehicle rental fees provide the majority of the revenue for the program.

Revenues for the fleet are functionally tied to the severity of the winter, construction program workload, and travel requirements of the various department users. Annual mileage and hours of usage can vary significantly. The program anticipates an increase in miles of travel and hour of usage due to the department's goal of improving the service to the traveling public. The rental rates will be set to cover anticipated increased expenditures for fuel, cutting edges for snowplows and repair parts that are a result of the increased usage. The rates will be sufficient to recover revenue to meet the program obligations.

**Expense Description -** The Equipment Program is responsible for expense associated with the acquisition, repair, maintenance, and routine operating costs for the fleet. The program pays all cost directly associated with vehicle/equipment operation including liability insurance. Equipment is reimbursed for accident costs caused by an outside party and is reimbursed for any warranty work that was completed by the department's personnel.

Indirect costs are costs that cannot be traced directly to specific usage of the vehicles and equipment. Indirect costs are supported by the assigned rates allocated to each of the equipment fleet class-subclasses. Direct costs, such as gasoline, oil, and tires, are supported by the usage rates for the fleet. The allocations of indirect costs and direct costs use the same methodology for all rates to which they apply.

# Department Of Transportation-5401
## Equipment Program-08

The program is requesting an increase in equipment replacement to keep the program soluble with its current replacement schedule. The increase is a more accurate reflection of anticipated actual depreciation. If the increase is not approved, the program will not have the ability to replace fleet units at their set life schedules. Units would have to be maintained longer, resulting in increased operational costs.

**Working Capital Discussion -** Equipment rental rates are set to recover sufficient revenue to purchase assets, cover normal operating expenses and maintain no more than a 60-day working capital balance. Revenue is generated through rental rates, gain on sale of surplus assets, and damage settlements. The primary source of revenue is from user rental rates charged for the use and possession of vehicles and equipment. Rental rates are based on a dual rate structure for actual miles driven (usage rate) and a possession rate (assigned rate). Actual miles of travel and hours of usage are reported biweekly and billings are generated on the same schedule as payrolls. Approximately $700,000 in rental revenue is generated every two weeks. Rental revenue varies with the season, weather conditions and workloads. Auction revenue varies depending number and types of units being sold. The program also receives incidental revenues for accident damages that are reimbursed by private individuals or insurance companies. The amount generally covers the expenditures to repair the damage. If the program doesn't generate sufficient revenue to meet these obligations then the program would have to either liquidate assets or receive a loan.

**Fund Equity and Reserved Fund Balance -** The fund equity balance shows an increase that is a result of the fleet increase required to assume maintenance of the secondary roads. Revenues are anticipated to equal operation expenditures and the working cash is projected to be less than the 60 days maximum allowable by the end of each fiscal year. Each fiscal year since 1999, federal money has been available to purchase equipment. The equipment is then donated to the Equipment Program and the donated equipment contributes to the increase in the fund equity balance. The Equipment Program will have to maintain the equipment and will replace the units when life cycle and cost dictates replacement.

**Cash Flow Discussion -** The Equipment Program is internal to the Department of Transportation only. The cash flow is dependent on rental revenue and auction proceeds. If we incur a heavy winter season, there is higher usage and additional rental is received. The Equipment Program cash balance is generally less than the allowable 60-day maximum. With less than 60-day cash the program, at times, does not have sufficient cash to cover obligations that must be paid at the beginning of each fiscal year (auto liability insurance). To meet those obligations, the program negotiates an inter-entity loan from the Highway State Special Revenue Account. The loan covers day-to-day operating expenses, and the annual insurance payment, until revenues have a chance to catch up with expenses. The loan is repaid by fiscal year end. The rental rates will generate sufficient revenues to purchases assets, cover normal operating expenses and not exceed the 60-day operating cash balance.

**Rate Explanation -** The rental rates are based on a two-tiered rate structure. The users pay a usage rate and an assigned rate. The usage rate is a per mile or hourly rate that is applied to a vehicle or piece of equipment for the actual miles/hours used and is designed to recover "direct costs" that include labor, parts, fuel, lubricants, tires and tubes. The assigned rate is designed to recover "fixed costs" such as insurance, depreciation, and indirect costs. Rental rates are adjusted yearly. The rates are based on the actual operational costs for each sub-class for the base rental period. These costs are adjusted to reflect changes in operations or operating costs from the base. The program's financial position also is considered in the rate development process in order to maintain a cash balance that will not exceed the 60-day maximum cash balance requirement. The program is requesting approval of the rental rates on a 60-day working capital basis. The effects are internal to the DOT and the program is held accountable to ensure the rates recover only needed operational monies.

### -------------------------------- Present Law Adjustments -------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $876,145 | FY04 | $0 |
| FY05 | $876,145 | FY05 | $0 |

**PL- 801 - Equipment Replacement Increase -**
The request is for $876,145 proprietary funds each year of the biennium for the purchase of supplies and equipment that have reached the end of their functional life and need to be replaced. Average replacement equates to about 450 units replaced per year.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $87,429 | FY04 | $0 |
| FY05 | $87,429 | FY05 | $0 |

**PL- 802 - Overtime and Differential -**
Base year overtime and differential pay with associated benefits are reestablished at a biennial cost of $174,858 proprietary funds.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $50,000 | FY04 | $0 |
| FY05 | $50,000 | FY05 | $0 |

**PL- 803 - Fleet Management System -**
The executive recommends $50,000 proprietary funds each year of the biennium to modify the Fleet Management System in order to coordinate with the department-wide Common Cost Coding Initiative.

# Department Of Transportation-5401
# Equipment Program-08

### Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06508 | Highway Equipment | 54010 | Dept. of Transportation | Equipment |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Net Fee Revenue | 15,565,650 | 16,838,910 | 18,693,334 | 19,568,198 | 19,425,281 | 19,567,161 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 2,015 | 77,899 | 211 | - | - | - |
| Total Operating Revenues | 15,567,665 | 16,916,809 | 18,693,545 | 19,568,198 | 19,425,281 | 19,567,161 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 15,567,665 | 16,916,809 | 18,693,545 | 19,568,198 | 19,425,281 | 19,567,161 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 4,919,823 | 4,990,443 | 5,117,161 | 5,504,741 | 5,726,546 | 5,744,987 |
| Other Operating Expenses | 11,934,853 | 12,592,577 | 12,102,443 | 13,964,574 | 14,048,735 | 14,172,174 |
| Miscellaneous, operating | 144,006 | 159,024 | 146,700 | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 16,998,682 | 17,742,044 | 17,366,304 | 19,469,315 | 19,775,281 | 19,917,161 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 16,998,682 | 17,742,044 | 17,366,304 | 19,469,315 | 19,775,281 | 19,917,161 |
| Operating Income (Loss) | **(1,431,017)** | **(825,235)** | **1,327,241** | **98,883** | **(350,000)** | **(350,000)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | 120,633 | 138,919 | 393,925 | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | 120,633 | 138,919 | 393,925 | - | - | - |
| Income (Loss) Before Operating Transfers | (1,310,384) | (686,316) | 1,721,166 | 98,883 | (350,000) | (350,000) |
| Contributed Capital | 7,138,843 | 14,288,525 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | 612,216 | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 39,696,285 | 36,353,086 | 49,955,295 | 52,288,677 | 52,387,560 | 52,037,560 |
| Net Income (Loss) | 5,828,459 | 13,602,209 | 2,333,382 | 98,883 | (350,000) | (350,000) |
| Retained Earnings/Fund Balances - June 30 | **45,524,744** | **49,955,295** | **52,288,677** | **52,387,560** | **52,037,560** | **51,687,560** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 2,833,114 | 2,957,007 | 2,894,384 | 3,244,886 | 3,295,880 | 3,319,527 |

Fee/Rate Information for Legislative Action

Requested Rates for Internal Service Funds

The fees charged will not be calculated until the actual Fiscal Year the rates pertain to These rates will be supported by the EMS system This same procedure has been used in prior biennia. The Equipment program may charge rates necessary to establish and maintain a 60 day working capital balance to operate the program

# Department Of Transportation-5401
# Aeronautics Program-40

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 1.29 | 0.00 | 0.00 | 1.29 | 0.00 | 0.00 | 1.29 |
| Personal Services | 34,071 | 11,803 | 0 | 45,874 | 11,728 | 0 | 45,799 |
| Operating Expenses | 29,498 | 3,812 | 200,000 | 233,310 | 4,035 | 0 | 33,533 |
| **Total Costs** | **$63,569** | **$15,615** | **$200,000** | **$279,184** | **$15,763** | **$0** | **$79,332** |
| Proprietary | 63,569 | 15,615 | 200,000 | 279,184 | 15,763 | 0 | 79,332 |
| **Total Funds** | **$63,569** | **$15,615** | **$200,000** | **$279,184** | **$15,763** | **$0** | **$79,332** |

**Program Description -** The West Yellowstone Airport provides a fly-in gateway to the town of West Yellowstone, Yellowstone Park, and surrounding US Forest Service area recreational opportunities. The airport is seasonal in its operation matching the peak tourist demand of the area from June 1st to September 30th annually. The airport serves as an Inter-Agency Fire Control Center with both smoke jumpers and fire retardant bombers located at the airport. The airport accomplishes these missions with extensive facilities to accommodate aircraft that range in size from C-5 Galaxy to Cessna 172, general aviation type aircraft.

Facilities are a terminal building that has as tenants a cafe, gift shop, two car rental agencies, fixed based operation (FBO) serving general aviation, and Skywest Airlines. The airport has an 8,399' X 150' runway with full parallel taxiway. The airport is fully instrumented for landings in inclement weather. Additionally, the airport has a crash fire rescue building with a crash fire rescue truck for airport emergencies. The airport is certified by the Federal Aviation Administration in the Limited Operating Class category.

Fees for provided services are market based. There are no increases planned in the 2005 biennium for landing fees, building fees, fuel flowage fees, sales receipts, and non-aero rentals.

The West Yellowstone Airport is funded with an enterprise proprietary fund. There are 1.29 FTE budgeted to this fund.

**Revenues and Expenses -**
Change in Services or Fees: No change in services or fees will occur in the 2005 biennium.

Working Capital Discussion: Annual expenses at the airport average $80,000/year. Based on this history, the fund must maintain a balance of $14,000 to comply with the 60-day expense formula.

Fund Equity and Reserved Fund Balance: The West Yellowstone Airport proprietary fund balance continues to increase. Management objectives are to continue to increase the fund balance.

Cash Flow Discussion: There is no fluctuation of cash into the program. A steady increase in the fund balance continues each year. There is not any significant reoccurring cash obligations that must be covered by cash on hand or loans.

**Rate Explanation -** Fees for provided services are market based. There are no increases planned in the 2005 biennium for landing fees, building fees, fuel flowage fees, sales receipts, and non-aero rentals.

# Department Of Transportation-5401
# Aeronautics Program-40

## -------------------------------- Present Law Adjustments --------------------------------

| | Total Agency Impact | | General Fund Total | |
|---|---|---|---|---|
| | FY04 | $1,886 | FY04 | $0 |
| | FY05 | $1,886 | FY05 | $0 |

**PL- 4014 - Program/Service Cost Adjustments - Prop -**
The request includes $1,886 proprietary funds for miscellaneous operating adjustments including janitorial services, fuel, travel, utilities, and trash removal.

## -------------------------------------- New Proposals --------------------------------------

| | Total Agency Impact | | General Fund Total | |
|---|---|---|---|---|
| | FY04 | $200,000 | FY04 | $0 |
| | FY05 | $0 | FY05 | $0 |

**NP- 4011 - Runway Rehab West Yellowstone Airport - Prop -**
The West Yellowstone Airport runway rehabilitation 10 percent match will be $200,000 of proprietary funds in a biennial appropriation.

# Department Of Transportation-5401
# Aeronautics Program-40

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06007 | West Yellowstone Airport | 54010 | Dept. of Transportation | Aeronautics |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Revenue from Fee A | 137,774 | 138,451 | 150,991 | 138,000 | 152,175 | 152,175 |
| Net Fee Revenue | 60,519 | 53,231 | 54,109 | 138,000 | 152,175 | 152,175 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 62,112 | 64,272 | 71,430 | - | - | - |
| Total Operating Revenues | 122,631 | 117,503 | 125,539 | 138,000 | 152,175 | 152,175 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 122,631 | 117,503 | 125,539 | 138,000 | 152,175 | 152,175 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 38,821 | 31,344 | 33,976 | 43,413 | 45,874 | 45,799 |
| Other Operating Expenses | 41,558 | 56,124 | 30,511 | 65,343 | 233,310 | 33,533 |
| Miscellaneous, operating | 837 | 958 | 515 | 0 | 0 | 0 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 81,216 | 88,426 | 65,002 | 108,756 | 279,184 | 79,332 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 81,216 | 88,426 | 65,002 | 108,756 | 279,184 | 79,332 |
| Operating Income (Loss) | **41,415** | **29,077** | **60,537** | **29,244** | **(127,009)** | **72,843** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | 41,415 | 29,077 | 60,537 | 29,244 | (127,009) | 72,843 |
| Contributed Capital | 1,345,111 | 1,345,111 | - | - | - | - |
| Operating Transfers In (Note 13) | 15,143 | 21,003 | 25,452 | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | (646,200) | (589,642) | 805,549 | 891,538 | 920,782 | 793,773 |
| Net Income (Loss) | 1,401,669 | 1,395,191 | 85,989 | 29,244 | (127,009) | 72,843 |
| Retained Earnings/Fund Balances - June 30 | **755,469** | **805,549** | **891,538** | **920,782** | **793,773** | **866,616** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 13,536 | 14,738 | 10,834 | 18,126 | 46,531 | 13,222 |

# Department Of Revenue-5801
# Customer Service Center-06

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 3.50 | 0.00 | 0.00 | 3.50 | 0.00 | 0.00 | 3.50 |
| Personal Services | 96,927 | 19,935 | 0 | 116,862 | 19,640 | 0 | 116,567 |
| Operating Expenses | 22,521 | 421 | 0 | 22,942 | 2,083 | 0 | 24,604 |
| **Total Costs** | **$119,448** | **$20,356** | **$0** | **$139,804** | **$21,723** | **$0** | **$141,171** |
| Proprietary | 119,448 | 20,356 | 0 | 139,804 | 21,723 | 0 | 141,171 |
| **Total Funds** | **$119,448** | **$20,356** | **$0** | **$139,804** | **$21,723** | **$0** | **$141,171** |

**Please note that a HB 2 section exists for this program.**

**Program Description** - Section 17-4-103, MCA, allows the Department of Revenue (DOR) to assist state agencies in the collection of delinquent accounts. State law also allows the department to retain a percent of the collections for the costs of assistance. The department established the Collections Services Program, which is the only internal service fund in the department, to perform the duties required for collecting on delinquent accounts. Currently there are 3.50 FTE dedicated to collecting revenue on the delinquent accounts. This program supports the central bad debt collection function for the State of Montana that was previously at the Department of Administration and State Auditor's Office.

**Revenues and Expenses** - The department charges a 10 percent commission for collecting on delinquent accounts. These funds are used to pay the expenses of the Collection Services Program. Approximately 84 percent of the costs are for paying salaries and benefits of the employees in this program. The remaining costs are related to rent, computer access and processing, and the program portion of the statewide fixed costs. The revenue account related to this activity is 520231 (debt collections).

**Rate Explanation** - The accounts receivable commission is currently 10 percent. The department is not requesting a change in the rate charged for the 2005 biennium.

# Department Of Revenue-5801
# Customer Service Center-06

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06554 | Collection Services | 58010 | Department of Revenue | Customer Service Center |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Charges for Services | 6,339,077 | 5,931,121 | 128,437 | 140,000 | 145,000 | 145,000 |
| Net Fee Revenue | | | 128,437 | 140,000 | 145,000 | 145,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 87 | 263 | - | - | - | - |
| Total Operating Revenues | 6,339,164 | 5,931,384 | 128,437 | 140,000 | 145,000 | 145,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 6,339,164 | 5,931,384 | 128,437 | 140,000 | 145,000 | 145,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 4,906,824 | 4,416,758 | 96,642 | 115,979 | 116,862 | 116,567 |
| Other Operating Expenses | 2,329,784 | 2,600,288 | 1,344 | 24,021 | 23,074 | 24,834 |
| Miscellaneous, operating | 63,063 | 45,282 | 74,807 | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 7,299,671 | 7,062,328 | 172,793 | 140,000 | 139,936 | 141,401 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 7,299,671 | 7,062,328 | 172,793 | 140,000 | 139,936 | 141,401 |
| Operating Income (Loss) | **(960,507)** | **(1,130,944)** | **(44,356)** | - | **5,064** | **3,599** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | (21,632) | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | (21,632) | - | - | - | - |
| Income (Loss) Before Operating Transfers | (960,507) | (1,152,576) | (44,356) | - | 5,064 | 3,599 |
| Contributed Capital | 533,364 | 533,364 | - | - | - | - |
| Operating Transfers In (Note 13) | - | 2,812,316 | - | - | - | - |
| Operating Transfers Out (Note 13) | (345,756) | (343,535) | (104,291) | (400,000) | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 24,550 | (1,265,242) | 634,495 | 485,848 | 85,848 | 90,912 |
| Net Income (Loss) | (772,899) | 1,849,569 | (148,647) | (400,000) | 5,064 | 3,599 |
| Retained Earnings/Fund Balances - June 30 | **(748,349)** | **584,327** | **485,848** | **85,848** | **90,912** | **94,511** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 1,216,612 | 1,177,055 | 28,799 | 23,333 | 23,323 | 23,567 |
| **Rate Information:** | | | | | | |
| Accounts Receivables Commission | | | 10% | 10% | 10% | 10% |

# Department Of Administration-6101
# Admin Financial Serv Division-03

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 18.83 | 0.50 | 6.33 | 25.66 | 0.50 | 6.33 | 25.66 |
| Personal Services | 700,354 | 105,501 | 393,143 | 1,198,998 | 106,632 | 392,130 | 1,199,116 |
| Operating Expenses | 800,748 | 230,071 | 105,650 | 1,136,469 | 55,462 | 106,543 | 962,753 |
| **Total Costs** | **$1,501,102** | **$335,572** | **$498,793** | **$2,335,467** | **$162,094** | **$498,673** | **$2,161,869** |
| Proprietary | 1,501,102 | 335,572 | 498,793 | 2,335,467 | 162,094 | 498,673 | 2,161,869 |
| **Total Funds** | **$1,501,102** | **$335,572** | **$498,793** | **$2,335,467** | **$162,094** | **$498,673** | **$2,161,869** |

**Please note that a HB 2 section exists for this program.**

**Program Description - Legal Services Unit** (Fund 06504)
The Legal Unit of the Director's Office advises all divisions within the department on legal matters. The unit receives the majority of its funding through the legal services internal service fund by charging the non-general fund divisions for services provided. The program funds 2.08 FTE. This number increased by 0.75 FTE in the 2003 biennium due to the additional support of four programs through the reorganization of Department of Commerce. The only alternative to this program would be contracting for legal assistance or hiring an attorney within the divisions.

**Network Support Unit** (Fund 06560)
The Network Support Unit administers all data processing functions of the department except those of the ITSD. The unit provides network support services, including installing software and hardware, responding to computer problems, and answering software questions. The unit also provides computer-programming services. The program funds 3.00 FTE, including the 1.00 FTE increase in the 2003 biennium due to the programs added in the reorganization of Department of Commerce. The program provided $1,214 of competency pay adjustment to network staff in FY 2002, which was funded by equipment budget savings.

**Warrant Writer Program** (Fund 06564)
The department provides the services of the Warrant Writer Program to most state agencies for check writing and automatic-deposit capabilities for financial transactions. The program produces and processes warrants and tracks them on the warrant writer system. The program generates, mails, tracks, and cashes each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing. The program funds 5.00 FTE and is authorized through 17-8-305, MCA. The program provided $7,105 of competency pay adjustment to accounting staff in FY 2002, which was funded from equipment budget savings. No alternative exists for agencies that need checks processed and funds transferred to vendors electronically if they use the state accounting system.

The system handles about two million payment transactions per year. Payment transactions include warrant writing and electronic transfers for vendor payments, retirement payments for public employees and teachers, payroll, worker's compensation, income tax refunds, special refunds, and public assistance benefit payments. In addition, the program maintains a central payee file to facilitate payment processing. The program is also responsible for consolidation of 1099-MISC information for the Internal Revenue Service. The program coordinates compliance with IRS rules governing 1099 MISC-filings and error reports.

**Human Resource Unit** (Fund 06570)
The Human Resource Unit processes payroll and provides new employee orientation for all divisions within the department, including attached-to agencies, assists with recruitment and selection, classifies positions and develops personnel policies and procedures. The program funds 2.75 FTE. One FTE was added in the 2003 biennium to provide support for the programs transferred in the reorganization of Department of Commerce. The only alternative to this internal service fund would be to fund the function through the general fund.

# Department Of Administration-6101
# Admin Financial Serv Division-03

**Management Services Unit** (Fund 06534)
The Management Services Unit coordinates preparation of the department's biennial budget for submission to the Office of Budget and Program Planning (OBPP) and presentation to the Legislature, processes budget change documents on approved budgets through the OBPP, and monitors approved budgets for compliance with state law and legislative intent. This unit also provides accounting assistance to the non-general funded divisions within the department. The unit funds 1.00 FTE, which was transferred in the 2003 biennium to support the four programs added in the reorganization of the Department of Commerce. An alternative to this unit would be to hire budgeting/accounting staff within each program in the department.

**Audit Review Program** (Fund 06042)
The Audit Review program is responsible for administering the provisions of the Montana Single Audit Act (Title 2, Chapter 7, part 5, MCA), which specifies the audit requirements for all Montana local governments entities. The program performs the following services:

1. Mails out to and receives annual financial reports from approximately 900 local governments;
2. Enters selected financial data from the reports into a database;
3. Obtains and enters into the database information regarding school district revenues,
4. Determines which local government entities are subject to audit under the Act and notifies them of the audit requirements;
5. Accepts applications from and maintains a roster of independent auditors authorized to conduct local government audits;
6. Prepares and keeps current a legal compliance supplement for use by independent auditors in conducting local government audits,
7. Receives and approves audit contracts for local government audits;
8. Verifies that all local governments required to have audits do so;
9. Receives and reviews local government audit reports to determine whether the audits have been conducted in accordance with required standards; (The audits are designed to protect the taxpayers' interests by verifying that the financial conditions and operations are responsibly accounted for and reported and that local officials are complying with appropriate statutes and regulations.)
10. Notifies state agencies of audit findings related to financial assistance programs that they administer;
11. Receives and reviews each local government's response to the audit report findings and determines whether the entity has developed a satisfactory plan to correct deficiencies noted in the audit report;
12. Maintains on file copies of all local government entity audit reports and the local governments responses to audit findings, and makes those reports and responses available upon request to state and federal agencies and the public;
13. Provides technical advice on accounting, auditing, and legal compliance matters to local governments and certified public accountants conducting local government audits;
14. Investigates or refers to auditors for follow-up action complaints or allegations received from the public, either directly or through the Legislative Auditor's hotline;
15. Provides information regarding local government audits, audit findings, entity responses to findings, and legal compliance and accounting requirements to the public; and
16. Evaluates requests for special audits and arranges for such audits if determined to be necessary. (Note: Section 2-7-503(5) & (6), MCA, states that the department "...may at any time conduct or contract for a special audit or review of the affairs of any local government entity referred to in this part. The special audit or review must, to the extent practicable, build upon audits performed pursuant to this part. (6) The fee for the special audit or review must be a charge based upon the costs incurred by the department in relation to the special audit or review. The audit fee must be paid by the local government entity to the state treasurer and deposited in the enterprise fund to the credit of the department." Based upon an executive recommendation, the 54th Legislative Assembly privatized the State Audit Program that actually conducted local government audits. Until that time, local governments could elect to have either the state or a private auditor conduct its audit. With the privatization of the Audit Program came the legislative recognition that the state would no longer have any practicing local government audit staff. Now private auditors do all local government audits, including special audits.)

The work of the Audit Review program is mandated primarily in Title 2, Chapter 7, part 5, MCA.

# Department Of Administration-6101
# Admin Financial Serv Division-03

**Revenues and Expenses - Legal Unit** (SABHRS Account 62108)

Changes in Services or Fees: The Legal Unit added 0.75 FTE in the 2003 biennium to support four new programs added with reorganization of the Department of Commerce. The total budget increased because of the additional FTE but the allocation per program generally went down with the exception of Consumer Protection which uses 0.50 FTE of the additional FTE. The calculation that gives the amount of revenue the unit should derive from the internal service fund is based on the assumption (derived from a time study) that the Legal Unit will devote 2.08 FTE of the 2.25 FTE to the legal matters of the non-general fund divisions. The fund must derive at least enough revenue to pay the personal services and associated operating costs of the 2.08 FTE. The costs of the remaining 0.17 FTE are paid by the general fund (and are included in the main budget table).

Working Capital Discussion: Collection of the Legal Unit fees is done during July of each fiscal year. Because collection is done once a year, rates are developed to only recover expenses.

Fund Equity and Reserved Fund Balance: No fund balance is required to be reserved for this program. Fund balance is currently negative because of the large amount of accrued leave. However, proposed rates will generate adequate cash to fund the program and will not increase the FY 2004 fund balance.

Cash Flow Discussion: Fees are collected in July/August and used to fund expenditures throughout the fiscal year.

Fees are paid as follows: State special revenue $21,759; proprietary $74,570; and pension trust $24,176.

**Revenues and Expenses - Network Support Unit** (SABHRS Account 62827)

Changes in Services or Fees: Fees will be assessed on a per user basis instead of per computer and server. The department is consolidating servers to be more cost effective. Fees are decreased for the upcoming biennium ($690 per user in FY 2004; $688 per user in FY 2005) due to the increased user base with the addition of four new programs from Department of Commerce.

Working Capital Discussion: Billing for the Network Support Unit is in July, which allows this program to operate with around 45 days of working capital. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, revenues (and the rates that generate the revenue) are reduced.

Fund Equity and Reserved Fund Balance: No fund balance is required to be reserved for this program. Fund balance at FYE 2002 was just under 60 days. Rates proposed for the 2005 biennium will draw that fund balance down to around 45 days.

Cash Flow Discussion: Fees are received in July/August of each fiscal year, and cash is gradually drawn down during the fiscal year.

Fees are paid as follows: General fund $46,794; proprietary $66,795; state special revenue $18,931.

**Revenues and Expenses - Human Resource Unit** (SABHRS Account 62827)

Changes in Services or Fees: The Human Resource Unit received 1.00 FTE in the 2003 biennium to provide services to the four former Department of Commerce programs.

Working Capital Discussion: Billing for the Human Resource Unit is in July, which allows this program to develop rates to cover expenses with minimal working capital. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, revenues (and the rates that generate the revenue) are reduced.

Fund Equity and Reserved Fund Balance: No fund balance is required to be reserved for this program. Fund balance at FYE 2002 was negative because of the large liability for accrued leave. Rates proposed for the 2005 biennium will not increase existing fund balance but will provide adequate cash to operate.

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Cash Flow Discussion: Fees are received in July/August of each fiscal year, and cash is gradually drawn down during the fiscal year.

Fees are funded as follows: Proprietary fund $77,775; pension trust $10,764; and state special revenue $25,259.

General funded divisions do not pay a fee. A 0.25 FTE funded by general fund in Administrative Financial Services Division covers work done for general fund programs.

**Revenues and Expenses - Management Services** (SABHRS Account 62827)

Changes in Services or Fees: The Management Services Unit received 1.00 FTE in the 2003 biennium due to four new programs from commerce.

Working Capital Discussion: Billing for Management Services Unit is monthly, which requires the program to operate with around 45 days of working capital. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, revenue (and the rates that generate the revenue) is reduced.

Fund Equity and Reserved Fund Balance: No fund balance is required to be reserved for this program. Fund balance at FYE 2002 was higher than 60 days. Rates proposed for the 2005 biennium will draw down fund balance.

Cash Flow Discussion: Fees are received monthly, which requires the program to maintain around 45 days working capital to cover operations until payment is made.

Fees are funded as follows: General fund $5,000; proprietary fund $25,000; special revenue fund $20,000.

**Revenues and Expenses - Warrant Writer Unit** (SABHRS Account 62113)

Changes in Services or Fees: Fees were reduced in FY 2004 and FY 2005 from base rates in each category because volume increased fund balance beyond projections.

Working Capital Discussion: Billing for warrants is done monthly and is based on actual warrants issued. Turnaround time for payment is around 45 days. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, revenues (and the rates that generate the revenue) are reduced.

Fund Equity and Reserved Fund Balance: No fund balance is required to be reserved for this program. Fund balance at FYE 2002 was around 50 days. Rates proposed for the 2005 biennium will draw down fund balance.

Cash Flow Discussion
Billings are sent out the first of the week for the previous month's activities, and funds are generally received within 45 days.

| | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|---|---|---|---|---|---|---|
| Historical Trends: | | | | | | |
| Mailers | 1,227,496 | 1,219,706 | 1,169,822 | 1,193,871 | 1,237,437 | 1,250,570 |
| Non-mailers | 193,514 | 231,615 | 187,117 | 192,857 | 289,360 | 365,447 |
| Emergency Warrants | 224 | 1,193 | 191 | 196 | 170 | 171 |
| Duplicates Not billed | Not billed | Not billed | 1,529 | 1,409 | 1,768 | 1,768 |
| Externals | 253,937 | 238,683 | 245,021 | 247,931 | 164,751 | 159,824 |
| Direct Deposits | 304,296 | 376,385 | 304,708 | 317,006 | 467,570 | 507,230 |

Comparing two biennia of warrant activity by agencies developed these trends.

Customer payments by fund type are not known for the Warrant Writer Unit, but all fund types pay for this service.

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**Rate Explanation - Network Support Unit**
The financial objective of the Network Support Unit is to operate on a break-even basis. The unit charges other divisions in the department a fixed fee per user to cover the costs of providing network support services.

The unit requests that the Legislature approve a rate of $690 per user for FY 2004 and $688 per user for FY 2005. This rate is a decrease from the charge of $714 per computer and $1,072 per server for FY 2002 and $732 per computer and $1,098 per server for FY 2003 for network service charges. The department is consolidating users under one server, which is more cost effective.

Fund balance at FYE 2002 was $28,407, which is slightly less than 60 days. A portion of this fund balance, approximately $5,100, is attributed to equipment. The rates proposed for the 2005 biennium draw down fund balance because this rate is collected in July of each fiscal year, and a 45 day fund balance is adequate.

The Network Support Unit funds 3.00 FTE. Personal services are 77 percent of the budget. The remaining expenditures are fixed costs, computer equipment and software.

**Rate Explanation - Legal Unit**
The financial objective of the Legal Unit is to operate on a break-even basis. The unit charges other non-general funded divisions in the department a percentage of its operations budget based on a time-use study. A fixed amount attributable to the percentage the service is used by a program is requested as the rate.

Fund balance at FYE 2002 was ($10,687) because of a large liability for accrued leave ($27,457). Rates were developed to recover expenses of the program and not build fund balance.

The Legal Unit funds 2.08 FTE. Personal services are 88 percent of the budget. The remaining expenditures are fixed costs.

**Rate Explanation - Human Resource Unit**
A rate per FTE of $330 in FY 2004 and $331 in FY 2005 is requested in this program. The Human Resource Unit is responsible for handling payroll/personnel issues and should be tied to FTE within a program.

Fund balance at FYE 2002 was ($27,026) mostly because of a large accrued leave balance of ($22,991). Rates were developed to recover expenses of the program and not build fund balance.

The Human Resource Unit funds 2.75 FTE. Personal services are 83 percent of the budget. The remaining expenditures are fixed costs.

**Rate Explanation - Management Services Unit**
A rate based on percentage of appropriation by division is requested in this program. This position supports Department budget functions for non-general funded divisions, and workload is driven by appropriation level.

Fund balance at FYE 2002 was $27,207, which is greater than 60 days. Rates were developed to draw down the fund balance to 45 days.

The Management Services Unit funds 1.00 FTE. Personal services are 86 percent of the budget. The remaining expenditures are fixed costs.

**Rate Explanation - Warrant Writer Unit**
The rates requested are by category - mailer, non-mailer, emergency, duplicate, external and direct deposit warrant. This rate structure does not differ from the last biennium. The unit funded 5.00 FTE for FY 2002.

Expenses of the program are calculated and fund balance is factored in. If fund balance is high, revenues (rates) are reduced to under-recover. The FYE 2002 fund balance was around 50 days. Rates were reduced by 5 percent in the 2005 biennium because the program can operate with 45 days fund balance. Billings are sent to agencies one week after month-end. Agencies generally pay within 45 days. The program needs to retain 45 days working capital to pay costs of operation including postage until agencies pay their invoices.

Demand for each warrant category is made by comparing two biennia of actual activity to project usage for the upcoming biennium. Mailer warrants factor in warrant stock cost, postage and printing while non-mailer warrants factor in warrant stock cost and printing. Both types of warrants pay for the required reconciliation between SABHRS Accounts Payable Module and our bank account. Direct deposits pay a 5 cent charge for bank processing. Duplicate and emergency warrants pay for personnel time to process each individual request. All categories share in general operating expenses of the program.

Major cost drivers include contract printing of warrants; warrant stock and postage to mail warrants. Warrant stock cost and ITSD print rates will remain the same as FY 2002. Postage is projected to increase 3 cents per item.

## -------------------------------- Present Law Adjustments --------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $7,188 | FY04 | $0 |
| FY05 | $7,333 | FY05 | $0 |

**PL- 302 - Rent Increase LGS Proprietary -**
The Audit Review Section of the Local Government Services Bureau is requesting additional authority for the upcoming rent increase for the space they occupy in the old federal building. The increase will be paid from the proprietary fund and the estimated biennial cost will be $14,521.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $150,000 | FY04 | $0 |
| FY05 | $0 | FY05 | $0 |

**PL- 305 - Audit Review Pgm Oracle Database (Biennial/OTO) -**
The Local Government Services Bureau is requesting additional one-time biennial authority of $150,000 to convert its current audit program software from Informix to Oracle. The Audit Review program is preparing to contract for an analysis and review of its business practices with the goal of obtaining a plan and cost estimate for converting and updating the database.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $28,888 | FY04 | $0 |
| FY05 | $28,809 | FY05 | $0 |

**PL- 308 - Legal Unit FTE -**
When four divisions were moved to Department of Administration through the Department of Commerce reorganization (SB 445), the Legal Unit was required to provide legal assistance for these divisions. A 0.50 FTE was added to the existing Legal Unit to provide that support in a modified position and now needs to be made permanent.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | ($2,778) | FY04 | $0 |
| FY05 | ($2,779) | FY05 | $0 |

**PL- 309 - Indirect Fixed Costs -**
Fund changes in department indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

### ---------------------------------------- New Proposals ----------------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $16,745 | FY04 | $0 |
| FY05 | $16,696 | FY05 | $0 |

**NP- 312 - Fund Switch 0.33 FTE - HB 576 -**

It is recommended to fund 0.33 FTE of an existing 1.00 FTE in accounting (general fund) with warrant writer proprietary fund. This position currently has oversight responsibility for warrant writer, and this fund switch aligns the funding with those duties. Since the general fund portion of this position is HB 2 authority and the proprietary portion is HB 576, there are two separate decision packages to accomplish this funding switch. See NP-311 for the remainder of this fund switch.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $459,079 | FY04 | $0 |
| FY05 | $458,986 | FY05 | $0 |

**NP- 316 - Indirect Cost Allocation - HB 576 -**

Funding change for the Director's Office and the Management Support Bureau. NP-315 reduces HB 2 FTE that are proprietary funded in NP-316. Divisions within the department would share the cost of the Director's Office. NP-317 (HB 2) and NP-318 (HB 576) distribute budget to programs in the department and give them authority to pay for the indirect recovery. This indirect cost recovery is an audit recommendation.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $149 | FY04 | $0 |
| FY05 | $149 | FY05 | $0 |

**NP- 317 - Indirect Cost Allocation – HB 2 -**

There is a funding change for the Director's Office and the Management Support Bureau. NP-317 (HB 2) and NP-318 (HB 576) distribute budget to programs in the department and give them authority to pay for the indirect recovery. This indirect cost recovery is also an audit recommendation.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $22,820 | FY04 | $0 |
| FY05 | $22,842 | FY05 | $0 |

**NP- 318 - Indirect Cost Allocation - HB576 -**

To implement the funding change for the Director's Office and the Management Support Bureau, NP 315 reduces HB 2 FTE that are proprietary funded in NP 316. Divisions within the department will share the cost of the Director's Office. NP 317 (HB 2) and NP 318 (HB 576) distribute budget to programs in the department and give them authority to pay for the indirect recovery.

# Department Of Administration-6101
# Admin Financial Serv Division-03

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06564 | Warrant | 61010 | Dept. of Administration | Agency Financial Services Division |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Warrant Processing | - | - | - | 831,766 | 855,883 | 873,501 |
| Net Fee Revenue | 729,763 | 735,164 | 922,385 | 831,766 | 855,883 | 873,501 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 350 | - | 98 | - | - | - |
| Total Operating Revenues | 730,113 | 735,164 | 922,483 | 831,766 | 855,883 | 873,501 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 730,113 | 735,164 | 922,483 | 831,766 | 855,883 | 873,501 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 132,254 | 139,070 | 142,711 | 161,309 | 189,085 | 189,488 |
| Other Operating Expenses | 595,740 | 587,082 | 568,155 | 580,248 | 728,965 | 702,071 |
| Miscellaneous, operating | 48,449 | 45,881 | 28,880 | 50,260 | 39,968 | 40,402 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 776,443 | 772,033 | 739,746 | 791,817 | 958,018 | 931,961 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 776,443 | 772,033 | 739,746 | 791,817 | 958,018 | 931,961 |
| Operating Income (Loss) | **(46,330)** | **(36,869)** | **182,737** | **39,949** | **(102,135)** | **(58,460)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | (1,248) | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | (1,248) | - | - | - | - |
| Income (Loss) Before Operating Transfers | (46,330) | (38,117) | 182,737 | 39,949 | (102,135) | (58,460) |
| Contributed Capital | 20,779 | 20,779 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 48,099 | 1,769 | (15,569) | 167,168 | 207,117 | 104,982 |
| Net Income (Loss) | (25,551) | (17,338) | 182,737 | 39,949 | (102,135) | (58,460) |
| Retained Earnings/Fund Balances - June 30 | **22,548** | **(15,569)** | **167,168** | **207,117** | **104,982** | **46,522** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 129,407 | 128,672 | 123,291 | 131,970 | 159,670 | 155,327 |

| Fee/Rate Information for Legislative Action: | | | | -------------------Estimated | --------------- | | |
|---|---|---|---|---|---|---|---|
| Requested ALLOCATED | FY2000 | FY2001 | FY2002 | FY 2003 | FY 2004 | FY 2005 | Authority |
| Mailer Warrants | 0.50277 | 0.50143 | 0.61700 | 0.58377 | 0.58624 | 0.58017 | 17-8-301 |
| Non-Mailer Warrants | 0.18230 | 0.18190 | 0.20800 | 0.19523 | 0.17803 | 0.17195 | |
| Duplicate Warrants | 0.05360 | 0.50320 | 5.66320 | 5.37928 | 5.63949 | 5.63768 | |
| External Warrants | 0.14960 | 0.14920 | 0.18500 | 0.17338 | 0.15523 | 0.14915 | |
| Emergency Warrants | 3.30190 | 3.30060 | 4.13290 | 3.92540 | 4.26759 | 4.26588 | |

Budget is distributed as a fixed cost to agencies based on FY 2002 actuals

# Department Of Administration-6101
# Admin Financial Serv Division-03

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06042, 06043 | Local Government Audits | 61010 | Dept. of Administration | Administrative Financial Services Division |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Net Fee Revenue | 247,536 | 260,608 | 259,376 | 245,000 | 259,000 | 259,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 402 | - | 2 | - | - | - |
| Total Operating Revenues | 247,938 | 260,608 | 259,378 | 245,000 | 259,000 | 259,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 247,938 | 260,608 | 259,378 | 245,000 | 259,000 | 259,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 161,022 | 167,207 | 178,410 | 184,282 | 195,311 | 196,432 |
| Other Operating Expenses | 46,099 | 52,174 | 57,323 | 43,537 | - | - |
| Miscellaneous, operating | 39,669 | 34,696 | 18,920 | 132,691 | 236,906 | 87,026 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 246,790 | 254,077 | 254,653 | 360,510 | 432,217 | 283,458 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 246,790 | 254,077 | 254,653 | 360,510 | 432,217 | 283,458 |
| Operating Income (Loss) | **1,148** | **6,531** | **4,725** | **(115,510)** | **(173,217)** | **(24,458)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | (688) | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | (688) | - | - | - | - |
| Income (Loss) Before Operating Transfers | 1,148 | 5,843 | 4,725 | (115,510) | (173,217) | (24,458) |
| Contributed Capital | 105,626 | 105,626 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 231,131 | 232,279 | 343,748 | 348,473 | 232,963 | 59,746 |
| Net Income (Loss) | 106,774 | 111,469 | 4,725 | (115,510) | (173,217) | (24,458) |
| Retained Earnings/Fund Balances - June 30 | **337,905** | **343,748** | **348,473** | **232,963** | **59,746** | **35,288** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 41,132 | 42,346 | 42,442 | 60,085 | 72,036 | 47,243 |

| Rate Information for Legislative Action: | | --------Estimated-------- | | | | | Authority |
|---|---|---|---|---|---|---|---|
| Agency Charges (Provided as Information Only for both types of funds - i e Internal Service [primary service to agencies within state government] and to Enterprise fund [primary service to outside state government] If applicable provides authority to charge | | | | | | | |
| | FY00 | FY01 | FY02 | FY03 | FY04 | FY05 | |
| Major Fee / Fee — Annual Report Filing | Variable Fee, as follows | Variable Fee, as follows | Variable Fee, as follows | Variable Fee, as follows | Variable Fee, as follows | Variable Fee, as follows | 2-7-514, MCA & |
| Annual revenues less than $200,000 | $0 | $0 | $0 | $0 | $0 | $0 | |
| Annual revenues equal to or greater than $200,000 but less than $500,000 | $175 | $175 | $175 | $175 | $175 | $175 | |
| Annual revenues equal to or greater than $500,000, but less than | $375 | $375 | $375 | $375 | $375 | $375 | |
| Annual revenues equal to or greater than $1 000,000, but less than | $525 | $525 | $525 | $525 | $525 | $525 | |
| Annual revenues equal to or greater than $1,500,000, but less than | $600 | $600 | $600 | $600 | $600 | $600 | |
| Annual revenues equal to or greater than $2 500,000, but less than | $675 | $675 | $675 | $675 | $675 | $675 | |
| Annual revenues equal to or greater than $5 000,000 but less than | $725 | $725 | $725 | $725 | $725 | $725 | |
| Annual revenues equal to or greater than $10,000,000 | $775 | $775 | $775 | $775 | $775 | $775 | |
| Minor Fee — Auditor Roster Fee | Annual Fee | Annual Fee | Annual Fee | Annual Fee | Annual Fee | Annual Fee | 2-7-506, MCA & |
| Annual Fee | $50 | $50 | $50 | $50 | $50 | $50 | |

# Department Of Administration-6101
# Admin Financial Serv Division-03

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06504,06534, 06560,06570 | Admin Central Services | 61010 | Dept. of Administration | Agency Financial Services Division |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Net Fee Revenue | 209,244 | 206,426 | 523,149 | 531,886 | 933,112 | 933,077 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 272 | 4 | 83 | - | - | - |
| Total Operating Revenues | 209,516 | 206,430 | 523,232 | 531,886 | 933,112 | 933,077 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 209,516 | 206,430 | 523,232 | 531,886 | 933,112 | 933,077 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 180,194 | 184,951 | 386,979 | 401,140 | 814,602 | 813,196 |
| Other Operating Expenses | 22,136 | 18,403 | 73,743 | 117,728 | 171,734 | 174,361 |
| Miscellaneous, operating | 5,726 | 6,920 | - | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 208,056 | 210,274 | 460,722 | 518,868 | 986,336 | 987,557 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 208,056 | 210,274 | 460,722 | 518,868 | 986,336 | 987,557 |
| Operating Income (Loss) | **1,460** | **(3,844)** | **62,510** | **13,018** | **(53,224)** | **(54,480)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | (632) | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | (632) | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | 828 | (3,844) | 62,510 | 13,018 | (53,224) | (54,480) |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | (17,669) | (20,141) | 6,395 | 68,905 | 81,923 | 28,699 |
| Net Income (Loss) | 828 | (3,844) | 62,510 | 13,018 | (53,224) | (54,480) |
| Retained Earnings/Fund Balances - June 30 | **(16,841)** | **(23,985)** | **68,905** | **81,923** | **28,699** | **(25,781)** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 34,676 | 35,046 | 76,787 | 86,478 | 164,389 | 164,593 |

**Requested Rates for Internal Service Funds**
**Fee/Rate Information for Legislative Action**

Indirect administrative costs are allocated to all programs within the agency.

# Department Of Administration-6101
# General Services Program-06

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 83.95 | 0.00 | 1.00 | 84.95 | 0.00 | 1.00 | 88.95 |
| Personal Services | 2,712,468 | 353,527 | 51,037 | 3,117,032 | 447,845 | 50,886 | 3,211,199 |
| Operating Expenses | 16,385,101 | 1,174,265 | 61,433 | 17,620,799 | 1,526,458 | 61,403 | 17,972,962 |
| Equipment | 359,587 | 60,937 | 0 | 420,524 | 100,937 | 0 | 460,524 |
| Debt Service | 45,369 | (45,369) | 0 | 0 | (45,369) | 0 | 0 |
| **Total Costs** | **$19,502,525** | **$1,543,360** | **$112,470** | **$21,158,355** | **$2,029,871** | **$112,289** | **$21,644,685** |
| Proprietary | 19,502,525 | 1,543,360 | 112,470 | 21,158,355 | 2,029,871 | 112,289 | 21,644,685 |
| **Total Funds** | **$19,502,525** | **$1,543,360** | **$112,470** | **$21,158,355** | **$2,029,871** | **$112,289** | **$21,644,685** |

**Please note that a HB 2 section exists for this program.**

**Program Description -**
The General Services Division is composed of four bureaus responsible for providing certain internal services to government agencies and the public. The Facilities Management Bureau manages the following services for state agencies in the capitol complex and several state-owned buildings in the Helena area either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, lease negotiation, security, janitorial, recycling, pest control, and garbage collection. The State Procurement Bureau procures or supervises the procurement of all supplies and services needed by the state and provides technical assistance to government agencies and the public to ensure compliance with the Montana Procurement Act. The Print and Mail Services Bureau provides printing services to state agencies by operating a central facility for duplicating and binding, desktop publishing, layout and design, graphic illustration, and forms design. It operates three quick copy centers, administers the state photocopy pool, and approves the procurement of all printing and printing-related purchases for state agencies. Mail services for state agencies in the Helena area are provided through a centralized facility that manages incoming, outgoing, and interagency mail. In addition, the bureau operates a full service contract United States post office in the state capitol building. The Property and Supply Bureau manages the Central Stores Program and the State and Federal Surplus Property programs. In addition, the division manages the state's vehicle fueling and procurement card functions.

**Facilities Management Bureau** (Fund 06528)
The Facilities Management Bureau scope of responsibility is established in 2-17-101, MCA, and 2-17-811, MCA, which states the Department of Administration is custodian of all state property in the state capitol area which is the geographic area within a 10-mile radius of the state Capitol.

The Facilities Management Bureau provides facilities management assistance, including repair, maintenance, and construction services to state agencies in the Helena Area and provides statewide leasing assistance to agencies to negotiate co-location of agencies to procure leased space for field offices. Facilities management also manages the state recycling program in the Helena area for office waste paper products. Customers include all agencies and units within state government.

<u>Mail and Print Services Bureau</u>

**Mail Services Section** (Fund 06523)
Mail Services provides a centralized mailing service. Services provided by the program include: 1) mail pick-up and delivery in agency offices; 2) metering of out-going U.S. mail; 3) bar coding mailings to qualify for postal rate savings; 4) delivery of inter-agency printed communications, also known as "Deadhead Mail"; 5) operation of a Postal Contract Station with locked mail boxes in the Capitol; 6) United Parcel Service (UPS); and 7) express mail service. Section 2-17-301 requires the Department of Administration to maintain and supervise any central mailing and messenger service. Customers include all agencies and units within state government.

**Print Services Section** (Fund 06530)
Print Services provides printing, duplicating, desktop publishing, layout and design, graphic and illustrative art, forms design, reprographics, binding and quick copy, and photocopier pools services for state agencies. Print Services has three basis components: 1) Internal printing; 2) External (contracted) printing; and 3) Photocopy Pool. Section 18-7-101, MCA, requires the Department of Administration to supervise and attend to all public printing within the state and to contract for any printing used by the state and 2-17-301, MCA, charges the department with the responsibility of administering the State Photocopy Pool. Customers include all agencies and units within state government. Use of the photocopy pool is optional. A state agency may buy its own copier through the State Procurement Bureau. All printing or purchasing of printing is requested through Print Services. Print Services determines the most cost effective method of project completion. Not all requests for printing are completed internally. Nearly 65 percent of printing expenditures are procured through commercial vendors.

<u>Property and Supply Bureau</u>
The Property and Supply Bureau manages the Central Stores Program and the State and Federal Surplus Property programs.

**Central Stores Program**(Fund 06531)
The Central Stores program develops standard specifications, procures, warehouses, and delivers commonly used items to all state agencies and participating local governments. Section 18-4-221 MCA, requires the department to procure or supervise the procurement of all supplies and services needed by the state. Customers include all agencies and units within state government and participating local governments. State agencies account for 94.1 percent and local governments for 5.9 percent of revenue.

Section18-4-302(3), MCA, mandates state agencies to use Central Stores unless an alternate supplier's publicly advertised price, established catalog price, or discount price offered to the agency is less than the price offered by the stores program if the office supply conforms in all material respects to the terms, conditions and quality offered by the stores program.

**Surplus Property Program** (Fund 06066)
The Surplus Property Programs are accounted for in enterprise fund 06066.

The Property & Supply Bureau operates the surplus property program to administer the sale of state and federal surplus property no longer needed by agencies. MCA 18-4-221, requires the department to sell, trade, or otherwise dispose of surplus supplies belonging to the state. The Federal Surplus program acquires surplus property from federal agencies (18-5-201 through 205, MCA.) This property is distributed to state agencies or other eligible organizations. The surplus property programs services include extending the life of state property by providing a mechanism to transfer surplus property between agencies, providing accountability in the disposal of surplus state property, providing agencies with a surplus equipment pick up service, and providing a screening service to locate federal surplus property for state and local agencies.

**State Fueling Network Program** (Fund 06561)
The Statewide Vehicle Fueling Program provides for fueling of public vehicles through an integrated commercial/public fueling network. The program automates the accounting and transaction processing functions associated with vehicle fueling, offers a system of security, maintains agency tax-exempt status for transactions anywhere on the network, and provides monthly comprehensive fuel management reports that fleet managers can use to track and control fuel costs. Customers include state government agencies and units, county and local municipalities.

**State Procurement Card Program** (Fund 06571)
The State Procurement Card Program administers the state procurement contract for the automated processing of small purchases.

**Revenues and Expenses -**
**General Services Division Facilities Management Bureau** (Fund 06528) - Facilities Management provides all services in the program description above with 6.5 percent of the revenue from the general fund, 92 percent collected through rental rates and 1.5 percent from construction cost recovery and from the recycling program.

# Department Of Administration-6101
# General Services Program-06

Agencies pay for program services with the following SABHRS accounts:
- 62527 - Rent - DoA buildings
- 62891 - Handyman Charges

Facilities Management records revenues into the fund (06528) by using the following SABHRS accounts:
- 525044 - Office Rent Charges
- 525045 - Misc. Maintenance/Handyman Charges
- 525046 - Project Work

Historical and projected trends associated with program indicators are provided:

| Indicator | Actual FY 1998 | Actual 1999 | Actual FY2000 | Actual FY2001 | Actual FY2002 | Estimated FY2003 | Requested FY2004 | Requested FY2005 |
|---|---|---|---|---|---|---|---|---|
| Work Orders Issued | 7,580 | 6,682 | 5,845 | 6,205 | 5,397 | 6,750 | 5,397 | 6,750 |
| State Owned Rented Office Space (sq. ft.) | 869,501 | 876,298 | 885,808 | 873,259 | 878,412 | 882,640 | 907,830 | 907,830 |
| State Owned Rented Storage Space | 62,394 | 83,299 | 83,299 | 79,190 | 82,467 | 90,381 | 92,429 | 92,429 |
| Private Leased Space – Helena- (sq. ft.) | 338,492 | 378,310 | 408,575 | 444,382 | 452,778 | 475,417 | 499,188 | 524,147 |
| Private Leased Space – Other- (sq. ft.) | 446,180 | 408,740 | 441,439 | 529,328 | 640,842 | 672,884 | 706,528 | 741,855 |
| Active Leases | 240 | 250 | 220 | 196 | 220 | 250 | 250 | 250 |
| Number of Buildings serviced by GSD staff | 41 | 44 | 44 | 44 | 44 | 45 | 45 | 45 |
| Recycled Paper (in tons) | 2003.3 | 262.1 | 254.2 | 313 | 320 | 345 | 345 | 345 |

Major classes of expenses for the Facilities Management Bureau are personal services, other (contracted) services, utilities, and repair and maintenance. Personal services can be forecast based on assigned FTE, which is requested at 23.10 FTE in FY 2004 and FY 2005.

In January 2002, the Department of Administration assumed the STARC Building, increasing square footage responsibility by 55,000 square feet. Projected expenses in FY 2004 and FY 2005 reflect the increased responsibility.

Other services including all the major contracts for insurance, janitorial, mechanical, elevator, pest control and security are expected to increase, over FY 2002 by 19.8 percent in FY 2004 and by 29.8 percent in FY 2005. These increases are directly related to increases in property insurance, prevailing wage rate increases for non-construction work, and the additional square footage.

Utilities are expected to increase over FY 2002 by 4.4 percent in FY 2004 and by 4.2 percent in FY 2005. These are directly projected increases for city water and sewer and sanitation services.

Mail and Print Services Bureau

**Mail Services Section** (Fund 06523): Mail Services provides all services as presented in the program description. The centralized mailing operations including pick-up and delivery, metering of out-going mail, bar coding operations and express mail and United Parcel provide 94 percent of mail services revenue. Inter-agency mail accounts for 5 percent of revenue and the contract station provides 1 percent. Agencies pay for program services with the following SABHRS accounts:
- 62304 - Postage and Mailing - Centralized mailing operations
- 62307 - Messenger Services - Dept of Administration - Interagency mail operations

The U. S. Postal Service contributes to the operation of the Postal Contract Station located in the Capitol Building.

Mail Services records revenues into the fund (06523) by using the following SABHRS accounts:
- 525048 - Post Office Contract
- 525049 - Centralized Mail Operations
- 525059 - Interagency Mail

## Department Of Administration-6101
## General Services Program-06

Historical and projected trends associated with volume of services provided are:

Centralized Mail Operations
Number of pieces of mail processed (millions):

| Fiscal Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|
| Interagency Mail | 10.0 | 9.0 | 9.4 | 9.5 | 9.5 | 9.5 |
| Number of Units (in tons) | 1.8 | 1.5 | 1.4 | 1.4 | 1.3 | 1.3 |

Major classes of expenses for Mail Services operations are personal services, postage, equipment repair/maintenance and equipment replacement. Personal services can be forecast based on assigned FTE, along with historical trending for overtime costs. Postage expense for Mail Services operations has significantly increased over the years due to U.S. Post Office rate increases. Historically agency mailings have remained fairly consistent as evidenced by yearly mail processed as shown above. Equipment costs can come in the form of equipment repair/maintenance and equipment replacement. Routine equipment maintenance and scheduled equipment replacement can be forecast with accuracy, however unscheduled repair or equipment replacement cannot be accurately forecast.

Major classes of expenses for inter-agency mailing operations are personal services, vehicle leases, and maintenance. Personal services can be forecasted based on assigned FTE, along with historical trending for overtime costs. Vehicle costs can be forecasted based on historical trends. Unscheduled repairs on vehicles cannot be accurately forecasted. Overhead costs for administration, accounting and supplies are allocated to Mail Services programs based on FTE.

For FY 2002 Mail Services had 16.76 FTE.

**Print Services Section** (Fund 06530): Print Services provides all services as presented in the program description. Internal printing which charges user agencies for graphic design and layout, desktop publishing, reprographics, duplicating, bindery and quick copy provides 27 percent of print services revenue. External printing provides 56 percent of revenue and the photocopy pool generates 17 percent.

Agencies pay for program services with the following SABHRS accounts:
62190 - Printing-Print Services - Internal and external print charges
62193 - Photocopy Pool Services - Photocopy pool charges.

Print Services records all revenues into the fund (06530) by using SABHRS revenue account 525088, (printing coordination).

Historical and projected trends associated with volume of services provided are:

| Fiscal Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|
| Internal Printing - Number of impressions (millions): * Legislative Year | 53.3 | 56.9* | 53 | 57* | 53 | 57* |
| External Printing - Dollar amount of contracted printing (millons): | 2.86 | 2.96 | 2.96 | 2.96 | 2.96 | 2.96 |
| Photocopy Pool - Number of copiers: | 253 | 269 | 265 | 271 | 265 | 271 |

Major classes of expenses for internal printing are personal services, direct materials used in production such as paper and ink, equipment repair/maintenance and equipment replacement. Personal services can be forecast based on assigned FTE, along with historical trending for overtime costs. Direct material costs vary with the demand for printing from user agencies. Historically, agency printing demand has remained fairly consistent as evidenced by yearly internal printing impressions as shown above. Equipment costs can come in the form of equipment repair/maintenance and equipment replacement. Routine equipment maintenance and scheduled equipment replacement can be forecast with accuracy, however, unscheduled repair or equipment replacement cannot be accurately forecast. Graphic design and layout services and desktop publishing service costs are also driven by personnel and equipment costs. While personnel costs can be forecast the same as printing, equipment costs are more driven by computer equipment and software purchases and upgrades to maintain currency with recent technology.

Major classes of expenses for external printing are pass-through printing costs (commercial vendor printing charges) and personnel services. Although the cost has historically remained fairly consistent, the commercial vendor costs can vary greatly depending upon complexity, quantity and inflation.

Major classes of expenses for the photocopy pool are pass-through photocopy costs (payment made to contracted vendors) and personnel services.

Overhead costs for administration, accounting, and supplies are allocated to the three Print Services programs based on FTE. During legislative years, personnel costs and direct materials used in production are higher for internal printing as a result of session-related workload increases. For FY 2002 print services had 25.94 FTE.

<u>Property and Supply Bureau</u>
**Central Stores Program** (Fund 06531): Central Stores objective is to recover sufficient revenue to maintain current operations, inventory levels, and equipment maintenance and replacement. Maintaining a 60-day working capital if inventory is considered a non-cash item is adequate to meet this objective. This program has no need to reserve fund balance.

Agencies are billed daily and accounts are collected within 30-45 days. This billing and payment cycle allows Central Stores to pay monthly expenses and maintain adequate inventory levels.

Central Stores provides services as presented in the program description. Agencies pay for program services with expenditure accounts that appropriately fit the items being purchased, including these for commonly purchased items:

- 62211 Coarse Paper, Central Stores
- 62219 Forms Purchase, Central Stores
- 62226 Fine Paper, Central Stores
- 62236 Office Supplies, Central Stores
- 62256 Janitorial Supplies, Central Stores
- 62296 Computer Paper, Central Stores

Historical and projected trends associated with the volume of services provided are:

| FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|---|---|---|---|---|---|
| $4,219,466 | $5,236,176 | $4,864,224 | $4,707,000 | $4,707,000 | $4,707,000 |

The major costs for Central Stores are goods purchased for resale and personal services. Goods purchased for resale costs depend upon demand from user agencies. There are no projected significant changes in service volume. Factors that contribute to uncertainty in forecasting this cost are agency needs for our service and general price increases from vendors. Variations in expense patterns depend on demand from user agencies. Future expenses can be projected by adding an inflation factor to base year purchases. Knowledge of manufacturer price increases can also help project future expenses. Personal services can be forecast based on assigned FTE. The program has 9.65 FTE funded through user fees.

**Surplus Property Program** (Fund 06066): The objective of the Surplus Property Program is to recover sufficient revenue to maintain current operations and scheduled equipment maintenance and replacement. This program has no need to reserve fund balance.

Agencies are billed weekly and accounts are collected within 30-45 days. Cash increases after the annual auction and decreases as agencies are reimbursed for their auction items and auction expenses are paid. The major expenses associated with the Surplus Property Program are personal services and freight to get federal property to the surplus warehouse. The program has 7.50 FTE funded through user fees. There are no projected significant changes in service volume.

**State Fueling Network Program** (Fund 06561): Revenue is generated through an administration fee charged on fuel purchases. Agencies pay for the program services with the following SABHRS account: 62216 - Gasoline

The program records revenues into the fund (06561) using the following SABHRS account: 525092 - Statewide Fueling

Network

Historical and projected trends associated with volume of services provided are:

Number of Gallons (millions):

| Fiscal Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|
| | 3.4 | 3.9 | 4.4 | 4.4 | 4.4 | 4.4 |

Major classes of expenses for the statewide Fueling Program are supplies, communications and travel.

**State Procurement Card Program** (Fund 06571): Revenue is generated through card charges to user agencies and rebates if target goals are met. Agencies pay for the program services with the following SABHRS account: 62750 - Maintenance Contracts

The program records revenues into the fund (06571) using the following SABHRS account: 525076 - Procurement Card Fee

Historical and projected trends associated with volume of services provided are:

Dollar amount charged on all cards (millions):

| Fiscal Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|---|
| | 16.1 | 18.4 | 21.2 | 21.2 | 21.2 | 21.2 |

Major classes of expenses for the State Procurement Card Program are maintenance costs and computer programming charges and travel.

**Rate Explanation - Facilities Management Bureau** (Fund 06528): Facilities Management rates are set to recover sufficient revenue to meet all personal services, operation costs, equipment replacement costs and to maintain an adequate working capital balance. The program billing and payment cycles support the accumulation of an adequate working capital balance. User agencies are billed monthly and agencies are requested to pay for services by the end of the next month.

Rent, on a cost per square foot basis, is assessed each agency occupying space in the buildings controlled by the Department of Administration. The rates are established to cover the cost of personal services and operating expenses including maintenance and equipment. Project work completed for agencies by in-house staff or contracted with and outside vendor is on a cost recovery basis.

The following rates have been requested for the next biennium:

| | ------------Budgeted---------- | | | | ------Requested------ | |
|---|---|---|---|---|---|---|
| | FYE 00 | FYE 01 | FYE 02 | FY 03** | FY 04 | FY 05 |
| Office Rent (per sq. ft.) | 5.13 | 5.37 | 4.766 | 4.881 | 5.988 | 6.228 |
| Storage Rent (per sq. ft.t) | 2.12 | 2.12 | 2.12 | 2.12 | 2.27 | 2.29 |
| Project Mgmt (In-house) | 15 percent | 15 percent | 15 percent | 15 percent | 15 percent | 15 percent |
| Project Mgmt (Contracted) | 5 percent | 5 percent | 5 percent | 5 percent | 5 percent | 5 percent |

**In FY 2002 & 2003, the Legislature approved using capitol land grant funding to subsidize the maintenance program, resulting in a low cost per square foot of $4.77 in FY 2002 and $4.881 in FY 2003. In the 2005 biennium request, all available capitol land grant funding has been used again.

# Department Of Administration-6101
# General Services Program-06

Mail and Print Services Bureau:
**Mail Services Section** (Fund 06523): Mail Services rates are set to recover sufficient revenue to meet personal services and operations costs and allow maintaining no more than a 60-day working capital balance. The program billing and payment cycles support the accumulation of a 60-day working capital balance. User agencies are billed monthly and agencies are requested to pay for services by the end of the next month. This allows Mail Services to pay monthly expenses of personal services and maintain current operations. There is 67 percent of the equity balance attributed to working capital. The remaining fund equity is attributed to equipment.

Mail Services provides measurable services to specific agencies based on end result - 20 mixed weight letters for first class mailing. Direct, indirect and administrative overhead can be attributed to the program. Therefore, costs can best be recovered by charging for each unit of service. Rates for each service include fixed, variable, indirect and administrative overhead costs. Periodically, rates are adjusted based on 60-day working capital.

Mail Services - Central Operations is requesting a 60-day working capital rate for the 2005 biennium. Inter-agency mail operations is requesting a rate defined as the total amount allocated to agencies (fixed cost) for the 2005 biennium.

**Print Services Section** (Fund 06530): Print Services rates are set to recover sufficient revenue to meet personal services and operations costs and allow maintaining no more than a 60-day working capital balance. The program billing and payment cycles support the accumulation of a 60-day working capital balance. User agencies are billed monthly and agencies are requested to pay for services by the end of the next month. This allows Print Services to pay monthly expenses of personal services and maintain current operations. There is 60 percent of the equity balance attributed to working capital and 40 percent of the total equity balance to equipment.

Print Services provides services to agencies based on an end result, e.g., 100 copies of 10 originals, collated, stapled and 3 hole punched. Overall volume of services are projected to remain constant. Direct and indirect costs can be attributed to each program. Therefore, costs can best be recovered by charging for each unit of service provided for by internal and photocopy pool programs. External printing recovers costs by charging a percentage markup on the cost of the printing job.

Rates for each service are determined as follows: each service was broken into fixed, variable direct costs, indirect costs and administrative overhead in a past study. To recover costs, appropriate minor adjustments are made to base figures. The rates have remained substantially the same for the last 10 years.

Print Services requests a 60-day working capital rate for the 2005 biennium.

Property and Supply Bureau
**Central Stores Program** (Fund 06531): Central Stores requests a 60-day working capital rate for the 2005 biennium. This allows for adequate cost recovery for direct, indirect, and administrative expenses.

Central Stores objective is to recover sufficient revenue to maintain current operations, inventory levels, and equipment maintenance and replacement. Maintaining a 60-day working capital if inventory is considered a non-cash item is adequate to meet this objective. Agencies are billed daily and accounts are collected within 30-45 days. This billing and payment cycle allows Central Stores to pay monthly expenses and maintain adequate inventory levels. This program has no need to reserve fund balance. The balance sheet accounts that contribute most significantly to fund balance are cash, receivables, inventory and equipment. Ninety percent of the fund equity balance can be attributed to working capital, 30 percent of working capital consists of inventory.

**Surplus Property Program** (Fund 06066): The State Surplus Property Program retains a handling fee of 8 percent for items that are sold for more than $150, plus extraordinary expenses if applicable. The Federal Surplus property program fees are an allocation of freight expense and 14 percent of acquisition cost. This is included in the Federal Plan of Operation, which has been approved by the Federal General Services Administration. These rates allow sufficient revenue to maintain current operations and scheduled equipment maintenance and replacement.

**Statewide Fueling Network Program** (Fund 06561): Statewide Vehicle Fueling Program rates are set to recover sufficient revenue to meet some operating costs. Personal services are funded through the General Fund to encourage agencies to use this program for their fuel purchases. The Legislature approved an administrative fee of 0.5 percent of the gross fuel purchases as the rate for the 2003 biennium.

The Statewide Vehicle Fueling program requests that the Legislature approve an administrative fee of 0.5 percent of the gross fuel purchases as the rate for the 2005 biennium.

**State Procurement Card Program** (Fund 06571): State Procurement Card Program rates are set to recover sufficient revenue to meet some operating costs. Personal services are funded through the General Fund to encourage agencies to use this program for their small purchases. The Legislature approved an administrative fee of $1.00 per card per month as the rate for the 2003 biennium. The State Procurement Card Program requests that the Legislature approve an administrative fee rate of $1.00 per card per month as the rate for the 2005 biennium.

## -------------------------------- Present Law Adjustments ------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $5,239 | FY04 | $0 |
| FY05 | $5,311 | FY05 | $0 |

**PL- 601 - Adjust Management Services Fixed Costs -**
Fund changes in department indirect/administrative costs for services received from other proprietary funded centralized services functions of the agency.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | ($75) | FY04 | $0 |
| FY05 | ($75) | FY05 | $0 |

**PL- 602 - Eliminate Energy Procurement Operating Budget -**
Eliminate the operating expense appropriation for the Energy Procurement Program. Program no longer needs funding for operating expenses.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $18,650 | FY04 | $0 |
| FY05 | $15,650 | FY05 | $0 |

**PL- 603 - Procurement Card -**
This decision package requests additional operating authority for the Procurement Card program totaling $18,650 in FY 2004 and $15,650 in FY 2005. The requested authority is for additional programming charges, mid-tier storage costs at ITSD, replacement PC, postage, travel, and pro-card education.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $12,000 | FY04 | $0 |
| FY05 | $15,000 | FY05 | $0 |

**PL- 604 - Mail Services Section -**
Request restoration of zero-based overtime of $12,000 for FY 2004 and $15,000 for FY 2005. Overtime is needed to cover rush postage jobs. Amounts requested are based on historical averages.

---

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $18,000 | FY04 | $0 |
| FY05 | $30,000 | FY05 | $0 |

**PL- 605 - Print Services Section -**
Requesting overtime for FY 2004 of $18,000 and $30,000 for FY 2005 to cover rush printing jobs and fiscal year end printing. The additional $12,000 for FY 2005 is requested to cover overtime at the legislative print shop.

---

| | Total Agency Impact | | General Fund Total | |
|---|---|---|---|---|
| | FY04 | $168,431 | FY04 | $0 |
| | FY05 | $313,057 | FY05 | $0 |

**PL- 606 - Print Services Addl Direct Material Costs -**
An additional $168,431 is requested in each fiscal year to cover inflationary increases in the costs of goods purchased for resale. The estimated increase is five percent over FY 2002 actual costs. An additional $144,626 is requested in FY 2005 for paper and photocopying costs associated with the FY 2005 legislative session.

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| | Total Agency Impact | | General Fund Total | |
|---|---|---|---|---|
| | FY04 | $473,590 | FY04 | $0 |
| | FY05 | $707,484 | FY05 | $0 |

**PL- 607 - Facilities Management Bureau Addl Operating Costs -**
Janitorial contracts are awarded on an annual basis with renewal options not to exceed three to five years depending on specification needs. Increases reflected in the first year of the biennium relate to the addition of the STARC Building, re-bidding of several contracts that expire, and prevailing wage and product increases experienced by the contractor and passed on to the agency. In the second year of the biennium, increases are directly related to re-bidding of several buildings; to the legislative session which requires six day a week service and to continued increases in prevailing wage and supplies requested increase is $70,328 for FY 2004 and $160,551 for FY 2005.

Included in the 62110 category are elevator maintenance, mechanical maintenance and pest control service. These maintenance contracts are awarded on an annual basis with renewal options. The elevator contract has been expanded to included elevators in the State Fund Building and at the New Liquor Warehouse. Also, we anticipate a 20 percent increase when the contract is re-bid due to the aging condition of many elevators. The mechanical contract is estimated to increase 12 percent annually due to prevailing wage increases, additional equipment required, the addition of the STARC Building to the contract, and aging conditions of existing equipment. Request is for an additional $177,192 in FY 2004 and an additional $311,322 in FY 2005.

Annual inspections are done on all fire extinguishers placed in buildings throughout the Capitol Complex. Increase is due to the addition of several extinguishers on the complex and at the STARC Building that will require servicing during the next biennium. An additional $99 is requested for each year of the biennium for Fire Suppression Services.

Security protection is contracted with the private sector. This budget request maintains the pricing from the last biennium in FY 2004 and FY 2005 at $288,475. The agency is requesting an additional $25,000 per year to allow for security training to state employees.

The agency is mandated to have fire sprinkler systems and fire alarm systems inspected according to National Electrical Codes and NFPA 25 on an annual basis. Request is for an additional $8,250 each year.

Per union contract, members are entitled to $170 per year for safety eyeglasses. The agency has 10 union members that qualify for this benefit. An additional $599 is requested each year to fund the required $1,700.

New annual contract for photocopier pool services went into effect July 1, 2002. An additional $456 each year is needed to pay for this new contract.

The agency leases land from the Helena Regional Airport at the Aviation Support Facility. Lease agreement has an inflationary factor of 50 percent of the CPI per year. This equates to a $1,461 increase in FY 2004 and $1,840 in FY 2005.

A lifetime contract has been signed for Gas Cylinders so the base was reduced to zero for both fiscal years.

Increased electricity expenditure reflects the addition of the STARC Building in January 2002. Year to date expenditures only reflect six months of expenses for the STARC Building. Anticipated increases are $39,645 in FY 2004 and $43,610 in FY 2005.

Increased natural gas expenditure to reflect the addition of the STARC Building in January 2002. Year to date expenditures only reflect six months of expenses for the STARC Building. An additional increase of $8,719 is anticipated each year.

Increase reflects the addition of the STARC Building that is not reflected in our base. The City of Helena has recommended a 3 percent increase in FY 2004 and 1.75 percent increase from FY 2004 to FY 2005. This equates to a $8,833 increase in FY 2004 and a $12,884 increase in FY 2005.

Budget request for garbage and trash removal includes the addition of the STARC Building. Also reflects an estimated 10 percent increase in operating costs anticipated by the vendor. This is an increase of $18,287 in FY 2004 and $19,446 in FY 2005.

FY 2002 does not reflect the true maintenance expenditures incurred by the program. Projects that exceeded the program's construction/maintenance authority are administratively attached to the Architecture and Engineering Division. Due to the scope of the projects, spending authority was transferred to the Architecture and Engineering Division so funding could be continued into the next fiscal year to complete the work. Request is to increase the appropriation by $342,672 each year to the original FY 2002 base.

The Facilities Management Bureau assumed the financial responsibilities for the STARC Building in January 2002. The expenditures in FY 2002 for Taxes and Assessments do not reflect assessments that must be paid for this building and land. Increase requested is $2,747 for each year.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | ($45,369) | FY04 | $0 |
| FY05 | ($45,369) | FY05 | $0 |

**PL- 609 - Eliminate Print Services Installment Purchase -**
The installment purchase account 69400 is no longer necessary. Print Services paid off the debt for the high-speed photocopier in FY 2002.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $72,005 | FY04 | $0 |
| FY05 | $112,005 | FY05 | $0 |

**PL- 610 - Increase Equipment Budget for Print Services -**
Print Services FY 2002 base budget for equipment was $62,995. An increase of $72,005 is requested for FY 2004 and an increase of $112,005 for FY 2005. There will be no rate increase to fund this equipment.

**-------------------------------------- New Proposals --------------------------------------**

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $61,433 | FY04 | $0 |
| FY05 | $61,403 | FY05 | $0 |

**NP- 318 - Indirect Cost Allocation - HB576 -**
This action is related to the funding change for the Director's Office and the Management Support Bureau that will provide for indirect cost recovery in compliance with statutory direction from the special session and an audit recommendation.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $51,037 | FY04 | $0 |
| FY05 | $50,886 | FY05 | $0 |

**NP- 612 - Transfer & Fund FTE in Fueling Program -**
Transfer funding from Procurement Bureau to Statewide Fueling Network Program for Position 61104004 in response to Legislative Audit recommendations.

# Department Of Administration-6101
# General Services Program-06

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06531 | Admin Supply | 61010 | Dept. of Administration | General Services |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Central Stores Supplies | - | - | - | 4,677,711 | 4,600,000 | 4,600,000 |
| Net Fee Revenue | 4,219,490 | 5,236,176 | 4,864,224 | 4,677,711 | 4,600,000 | 4,600,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 980 | 120 | 384 | 200 | - | - |
| Total Operating Revenues | 4,220,470 | 5,236,296 | 4,864,608 | 4,677,911 | 4,600,000 | 4,600,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 4,220,470 | 5,236,296 | 4,864,608 | 4,677,911 | 4,600,000 | 4,600,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 340,698 | 347,265 | 358,027 | 408,277 | 368,183 | 364,902 |
| Other Operating Expenses | 4,130,235 | 4,450,477 | 4,178,778 | 4,281,098 | 4,209,016 | 4,209,020 |
| Miscellaneous, operating | 14,580 | 17,388 | 21,202 | 18,338 | - | - |
| Miscellaneous, other | - | - | - | - | 17,961 | 17,961 |
| Total Operating Expenses | 4,485,513 | 4,815,130 | 4,558,007 | 4,707,713 | 4,595,160 | 4,591,883 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 4,485,513 | 4,815,130 | 4,558,007 | 4,707,713 | 4,595,160 | 4,591,883 |
| Operating Income (Loss) | **(265,043)** | **421,166** | **306,601** | **(29,802)** | **4,840** | **8,117** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | (5,871) | (523) | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | (5,871) | (523) | - | - | - |
| Income (Loss) Before Operating Transfers | (265,043) | 415,295 | 306,078 | (29,802) | 4,840 | 8,117 |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Res | 916,974 | 651,931 | 1,067,226 | 1,373,304 | 1,343,502 | 1,348,342 |
| Net Income (Loss) | (265,043) | 415,295 | 306,078 | (29,802) | 4,840 | 8,117 |
| Retained Earnings/Fund Balances - June 30 | **651,931** | **1,067,226** | **1,373,304** | **1,343,502** | **1,348,342** | **1,356,459** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 747,586 | 802,522 | 759,668 | 784,619 | 765,860 | 765,314 |

**Requested Rates for Internal Service Funds**
**Fee/ Rate Information for Legislative Action:**
Agency Number: 6101
Fund Number: 06531

| | FYE 00 | FYE 01 | FYE 02 | FY 03 | FY 04 | FY 05 |
|---|---|---|---|---|---|---|
| Forms | 100% | 100% | 100% | 100% | 100% | 100% |
| Office Supplies | 40% | 40% | 20% | 35% | 35% | 35% |
| Computer Pap | 35% | 35% | 20% | 35% | 35% | 35% |
| Fine Paper | 35% | 35% | 20% | 35% | 35% | 35% |
| Coarse Paper | 35% | 35% | 20% | 35% | 35% | 35% |
| Janitorial | 35% | 35% | 20% | 35% | 35% | 35% |
| Software | 25% | 25% | 20% | 35% | 35% | 35% |

A 60-day working capital is the rate requested for Central Stores. Markups of not more than 35 percent are projected to maintain a no more than 60 day working capital.

# Department Of Administration-6101
# General Services Program-06

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06523 | Mail & Messenger | 61010 | Dept. of Administration | General Services |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Post Office Contract | 38,976 | 38,976 | 38,976 | 38,976 | 38,976 | 38,976 |
| Centralized Mail Operations | 3,483,775 | 2,982,060 | 3,347,566 | 3,532,824 | 3,532,824 | 3,532,824 |
| Interagency Mail | 164,951 | 170,773 | 168,063 | 169,402 | 151,467 | 151,467 |
| Revenue from Fee D | - | - | - | - | - | - |
| Revenue from Fee E | - | - | - | - | - | - |
| Revenue from Fee F | - | - | - | - | - | - |
| Net Fee Revenue | 3,687,702 | 3,191,809 | 3,554,605 | 3,741,202 | 3,723,267 | 3,723,267 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 779 | - | 226 | - | - | - |
| Total Operating Revenues | 3,688,481 | 3,191,809 | 3,554,831 | 3,741,202 | 3,723,267 | 3,723,267 |
| Intrafund Revenue | (444,211) | - | - | - | - | - |
| Net Operating Revenues | 3,244,270 | 3,191,809 | 3,554,831 | 3,741,202 | 3,723,267 | 3,723,267 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 402,489 | 454,821 | 482,057 | 447,537 | 535,061 | 540,073 |
| Other Operating Expenses | 3,009,177 | 2,795,750 | 2,933,346 | 3,177,370 | 3,119,098 | 3,117,796 |
| Miscellaneous, operating | 9,277 | 9,439 | 10,727 | 10,274 | | |
| Equipment | - | - | - | - | 267,563 | 267,563 |
| Total Operating Expenses | 3,420,943 | 3,260,010 | 3,426,130 | 3,635,181 | 3,921,722 | 3,925,432 |
| Intrafund Expense | (444,211) | - | - | - | - | - |
| Net Operating Expenses | 2,976,732 | 3,260,010 | 3,426,130 | 3,635,181 | 3,921,722 | 3,925,432 |
| Operating Income (Loss) | **267,538** | **(68,201)** | **128,701** | **106,021** | **(198,455)** | **(202,165)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | (500) | - | 15,824 | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | (500) | - | 15,824 | - | - | - |
| Income (Loss) Before Operating Transfers | 267,038 | (68,201) | 144,525 | 106,021 | (198,455) | (202,165) |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 525,309 | 792,347 | 724,146 | 868,671 | 974,692 | 776,237 |
| Net Income (Loss) | 267,038 | (68,201) | 144,525 | 106,021 | (198,455) | (202,165) |
| Retained Earnings/Fund Balances - June 30 | 792,347 | 724,146 | 868,671 | 974,692 | 776,237 | 574,072 |
| 60 days of expenses (Total Operating Expenses divided by 6) | 570,157 | 543,335 | 571,022 | 605,864 | 653,620 | 654,239 |

**Requested Rates for Internal Service Funds**

**Fee/Rate Information for Legislative Action:**

| **Fee Group** | **FY00** | **FY01** | **FY02** | **FY03** | **FY04** | **FY05** |
|---|---|---|---|---|---|---|
| Centralized Mail Operations | | | | | | |
| ID Code (each) | | | | | | |
| 1. Letters under 1oz for barcoding | 0.049 ea | 0.049 ea | .05 ea | .05 ea | .05 ea | .05 ea |
| 2. Mixed weight letters 0-2 oz metering for barcoding | 0.056 | 0.056 | 0.06 | 0.06 | 0.06 | 0.06 |
| 3. 1st Class letters held until next day (full postage rate) | 0.060 | 0.060 | | | | |
| 4. 1st Class letters held until next day (for barcoding) | 0.041 | 0.041 | | | | |
| 4a. 1st class permit mailing (for barcoding) | | | 0.04 | 0.04 | 0.04 | 0.04 |
| 5. Non barcoded in or out of state (full postage rate) | 0.070 | 0.070 | | | | |
| 5a. Non barcodable letter (full postage rate) 1 oz or under | | | 0.07 | 0.07 | 0.07 | 0.07 |
| 5b. Non barcodable letter (full postage rate) mixed weight 0-5 oz | | | 0.08 | 0.08 | 0.08 | 0.08 |
| 6. Flats | 0.143 | 0.143 | 0.15 | 0.15 | 0.15 | 0.15 |
| 7. Manual Stamp Flats | 0.155 | 0.155 | | | | |
| 8. Parcels (Bound Printed Matter-Standard Mail B) | 0.150 | 0.150 | | | | |
| 9. Certified Mail | 0.455 | 0.455 | 0.50 | 0.50 | 0.50 | 0.50 |
| 10. Registered Mail | 0.455 | 0.455 | 0.50 | 0.50 | 0.50 | 0.50 |
| 11. International Mail | 0.355 | 0.355 | 0.50 | 0.50 | 0.50 | 0.50 |
| 12. Meter Labels | 0.155 | 0.155 | | | | |
| 13. Special Handling | 0.300 | 0.300 | | | | |
| 14. UPS Handling | 0.155 | 0.155 | 0.15 | 0.15 | 0.15 | 0.15 |
| 15. Express Mail | 0.455 | 0.455 | 0.50 | 0.50 | 0.50 | 0.50 |
| 16. Ltrs Standard A for Metering over ¼" thick don't barcode | 0.175 | 0.175 | | | | |
| 17. OCR rejected mail sort (Use to add postage with 99999) | 0.100 | 0.100 | 0.10 | 0.10 | 0.10 | 0.10 |
| 18. OCR rejected mail sort (postcards) | 0.075 | 0.075 | | | | |
| 19. Late day mail, no discount | 0.075 | 0.075 | | | | |
| 20. Standard (3rd class) | 0.025 | 0.025 | | | | |
| 21. Book (special 4th class) | 0.050 | 0.050 | | | | |
| 22 Library | 0.040 | 0.040 | | | | |
| 23. Insured mail | 0.155 | 0.155 | 0.50 | 0.50 | 0.50 | 0.50 |
| 24. Handwritten letter | 0.175 | 0.175 | | | | |
| 25. 1st class permit mailing (for barcode) | 0.045 | 0.045 | | | | |
| 26. Bulk mail (non barcode) | 0.045 | 0.045 | 0.06 | 0.06 | 0.06 | 0.06 |
| 27 Postage due (foreign or insuff postage, add postage) | 0.255 | 0.255 | 0.45 | 0.45 | 0.45 | 0.45 |
| 28. Priority | 0.200 | 0.200 | 0.50 | 0.50 | 0.50 | 0.50 |
| 29 UPS Misc (for accounting use only) | 0.050 | 0.050 | 0.05 | 0.05 | 0.05 | 0.05 |
| 30. Post cards | 0.040 | 0.040 | 0.04 | 0.04 | 0.04 | 0.04 |
| 31. Fee due .50 rtn to sndr) Address change or correction | 0.350 | 0.350 | 0.45 | 0.45 | 0.45 | 0.45 |
| 32. Administrative fee (for accounting use only) | 5.500 | 5.500 | 5.50 | 5.50 | 5.50 | 5.50 |
| 33. Annual messenger service charges | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 |
| 34. Annual PO Box charges | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 | 0.001 |
| 35. USPS Parcels | | | 0.15 | 0.15 | 0.15 | 0.15 |
| 36. Media Mail | | | 0.15 | 0.15 | 0.15 | 0.15 |

| **Fee Group** | **FY00** | **FY01** | **FY02** | **FY03** | **FY04** | **FY05** |
|---|---|---|---|---|---|---|
| Interagency Mail<br>Dollars – Yearly | 164,951 | 170,773 | 168,063 | 169,402 | 151,467 | 151,467 |

| **Fee Group** | **FY00** | **FY01** | **FY02** | **FY03** | **FY04** | **FY05** |
|---|---|---|---|---|---|---|
| Postal Contract (Capitol)<br>Dollars - Yearly | 38,976 | 38,976 | 38,976 | 38,976 | 38,976 | 38,976 |

# Department Of Administration-6101
# General Services Program-06

**Report on Internal Service and Enterprise Funds, 2005 Biennium**

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06528 | Facilities Management | 61010 | Dept. of Administration | General Services |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Revenue from Office Rental Rate | - | - | - | 4,171,683 | 5,436,086 | 5,653,965 |
| Revenue from Warehouse Rental Rate | - | - | - | 190,361 | 207,144 | 208,969 |
| Revenue from Recycling Revenue | - | - | - | 10,000 | 10,000 | 10,000 |
| Revenue from Handyman Charges | - | - | - | 85,000 | 45,000 | 45,000 |
| Revenue from Project Work | - | - | - | 55,000 | 55,000 | 55,000 |
| Net Fee Revenue | 5,107,350 | 5,513,037 | 5,125,035 | 4,512,044 | 5,753,230 | 5,972,934 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 1,120 | 1 | 339 | - | - | - |
| Total Operating Revenues | 5,108,470 | 5,513,038 | 5,125,374 | 4,512,044 | 5,753,230 | 5,972,934 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 5,108,470 | 5,513,038 | 5,125,374 | 4,512,044 | 5,753,230 | 5,972,934 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 816,699 | 932,942 | 887,839 | 963,361 | 1,001,198 | 1,003,705 |
| Other Operating Expenses | 4,209,811 | 4,682,905 | 4,452,582 | 4,242,065 | 5,290,690 | 5,507,877 |
| Miscellaneous, operating | 82,863 | 81,797 | 110,871 | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 5,109,373 | 5,697,644 | 5,451,292 | 5,205,426 | 6,291,888 | 6,511,582 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 5,109,373 | 5,697,644 | 5,451,292 | 5,205,426 | 6,291,888 | 6,511,582 |
| Operating Income (Loss) | **(903)** | **(184,606)** | **(325,918)** | **(693,382)** | **(538,658)** | **(538,648)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | (719) | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | (719) | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | (1,622) | (184,606) | (325,918) | (693,382) | (538,658) | (538,648) |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | 44,430 | - | 933,055 | 933,055 | 500,000 | 500,000 |
| Operating Transfers Out (Note 13) | (410,953) | (1,848) | (418,000) | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 773,800 | 398,415 | 207,200 | 396,337 | 636,010 | 597,352 |
| Net Income (Loss) | (368,145) | (186,454) | 189,137 | 239,673 | (38,658) | (38,648) |
| Retained Earnings/Fund Balances - June 30 | **405,655** | **211,961** | **396,337** | **636,010** | **597,352** | **558,704** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 851,562 | 949,607 | 908,549 | 867,571 | 1,048,648 | 1,085,264 |

**Requested Rates for Internal Service Funds**
**Fee/Rate Information for Legislative Action**

Agency Number: 61010
Fund Number: 06528

| | | Budgeted | | | ------Requested------ | | |
|---|---|---|---|---|---|---|---|
| | FYE 00 | FYE 01 | FYE 02 | FY 03** | FY 04 | FY 05 | AUTHORITY |
| Office Rent (per sq. ft.) | 5.13 | 5.37 | 4.766 | 4.881 | 5.988 | 6.228 | MCA 2-17-101 |
| Storage Rent (per sq. ft.t) | 2.12 | 2.12 | 2.12 | 2.12 | 2.27 | 2.29 | MCA 2-17-101 |
| Project Mgmt (In-house) | 15% | 15% | 15% | 15% | 15% | 15% | |
| Project Mgmt (Contracted) | 5% | 5% | 5% | 5% | 5% | 5% | |

** In FY 2002 and FY 2003, the Legislature approved using capitol land grant funding to subsidize the maintenance program, resulting in a low cost per square foot of $4.77 in FY 2002 and $4.881 in FY 2003. In the 2005 biennium request, all available capital land grant funding has been used again.

# Department Of Administration-6101
# General Services Program-06

**Report on Internal Service and Enterprise Funds, 2005 Biennium**

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06066 | Surplus Property | 61010 | Dept. of Administration | General Services |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| State Surplus Property Handling Fee | - | - | - | 153,000 | 167,000 | 167,000 |
| Federal Surplus Property Handling Fee | - | - | - | 130,000 | 17,000 | 17,000 |
| Net Fee Revenue | 397,991 | 423,334 | 295,399 | 283,000 | 184,000 | 184,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 2 | 4 | - | - | - | - |
| Total Operating Revenues | 397,993 | 423,338 | 295,399 | 283,000 | 184,000 | 184,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 397,993 | 423,338 | 295,399 | 283,000 | 184,000 | 184,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 216,221 | 236,359 | 227,448 | 254,921 | 293,514 | 298,374 |
| Other Operating Expenses | 269,878 | 238,685 | 1,143,839 | 288,652 | 206,254 | 206,253 |
| Miscellaneous, operating | 8,053 | 6,186 | 11,714 | 8,760 | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 494,152 | 481,230 | 1,383,001 | 552,333 | 499,768 | 504,627 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 494,152 | 481,230 | 1,383,001 | 552,333 | 499,768 | 504,627 |
| Operating Income (Loss) | **(96,159)** | **(57,892)** | **(1,087,602)** | **(269,333)** | **(315,768)** | **(320,627)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | (9,647) | (1,137) | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | (9,647) | (1,137) | - | - | - |
| Income (Loss) Before Operating Transfers | (96,159) | (67,539) | (1,088,739) | (269,333) | (315,768) | (320,627) |
| Contributed Capital | 799,476 | 987,452 | 602,019 | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 280,553 | 191,394 | 1,111,307 | 624,587 | 355,254 | 39,486 |
| Net Income (Loss) | 703,317 | 919,913 | (486,720) | (269,333) | (315,768) | (320,627) |
| Retained Earnings/Fund Balances - June 30 | **983,870** | **1,111,307** | **624,587** | **355,254** | **39,486** | **(281,141)** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 82,359 | 80,205 | 230,500 | 92,056 | 83,295 | 84,105 |

**Requested Rates for Enterprise Funds**
**Fee / Rate Information:**
State Surplus Property handling fees are currently 8 percent of sales over $150.00. 18-4-226 MCA states that the proceeds from the sale, lease, or disposal of surplus supplies must be allocated as provided by 18-6-101, less a reasonable handling fee.
Federal Surplus Property handling fee is freight plus a percentage of federal acquisition cost. This is in the Federal Plan of Operation and has been approved by the Federal General Services Administration.

# Department Of Administration-6101
# General Services Program-06

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06531 | Admin Supply | 61010 | Dept. of Administration | General Services |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Central Stores Supplies | - | - | - | 4,677,711 | 4,600,000 | 4,600,000 |
| Net Fee Revenue | 4,219,490 | 5,236,176 | 4,864,224 | 4,677,711 | 4,600,000 | 4,600,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 980 | 120 | 384 | 200 | - | - |
| Total Operating Revenues | 4,220,470 | 5,236,296 | 4,864,608 | 4,677,911 | 4,600,000 | 4,600,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 4,220,470 | 5,236,296 | 4,864,608 | 4,677,911 | 4,600,000 | 4,600,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 340,698 | 347,265 | 358,027 | 408,277 | 368,183 | 364,902 |
| Other Operating Expenses | 4,130,235 | 4,450,477 | 4,178,778 | 4,281,098 | 4,209,016 | 4,209,020 |
| Miscellaneous, operating | 14,580 | 17,388 | 21,202 | 18,338 | - | - |
| Miscellaneous, other | - | - | - | - | 17,961 | 17,961 |
| Total Operating Expenses | 4,485,513 | 4,815,130 | 4,558,007 | 4,707,713 | 4,595,160 | 4,591,883 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 4,485,513 | 4,815,130 | 4,558,007 | 4,707,713 | 4,595,160 | 4,591,883 |
| Operating Income (Loss) | **(265,043)** | **421,166** | **306,601** | **(29,802)** | **4,840** | **8,117** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | (5,871) | (523) | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | (5,871) | (523) | - | - | - |
| Income (Loss) Before Operating Transfers | (265,043) | 415,295 | 306,078 | (29,802) | 4,840 | 8,117 |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Res | 916,974 | 651,931 | 1,067,226 | 1,373,304 | 1,343,502 | 1,348,342 |
| Net Income (Loss) | (265,043) | 415,295 | 306,078 | (29,802) | 4,840 | 8,117 |
| Retained Earnings/Fund Balances - June 30 | **651,931** | **1,067,226** | **1,373,304** | **1,343,502** | **1,348,342** | **1,356,459** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 747,586 | 802,522 | 759,668 | 784,619 | 765,860 | 765,314 |

**Requested Rates for Internal Service Funds**
**Fee/ Rate Information for Legislative Action:**
Agency Number. 6101
Fund Number: 06531

| | FYE 00 | FYE 01 | FYE 02 | FY 03 | FY 04 | FY 05 |
|---|---|---|---|---|---|---|
| Forms | 100% | 100% | 100% | 100% | 100% | 100% |
| Office Supplies | 40% | 40% | 20% | 35% | 35% | 35% |
| Computer Pap | 35% | 35% | 20% | 35% | 35% | 35% |
| Fine Paper | 35% | 35% | 20% | 35% | 35% | 35% |
| Coarse Paper | 35% | 35% | 20% | 35% | 35% | 35% |
| Janitorial | 35% | 35% | 20% | 35% | 35% | 35% |
| Software | 25% | 25% | 20% | 35% | 35% | 35% |

A 60-day working capital is the rate requested for Central Stores. Markups of not more than 35 percent are projected to maintain a no more than 60 day working capital

# Department Of Administration-6101
# General Services Program-06

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06561 | Statewide Fueling Network | 61010 | Dept. of Administration | General Services |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Statewide Fueling Network | 16,103 | 22,385 | 24,019 | 21,600 | 21,600 | 21,600 |
| Net Fee Revenue | 16,103 | 22,385 | 24,019 | 21,600 | 21,600 | 21,600 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 54 | 74 | - | - | - | - |
| Total Operating Revenues | 16,157 | 22,459 | 24,019 | 21,600 | 21,600 | 21,600 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 16,157 | 22,459 | 24,019 | 21,600 | 21,600 | 21,600 |
| **Operating Expenses:** | | | | | | |
| Personal Services | - | - | - | - | 51,037 | 50,886 |
| Other Operating Expenses | 16,024 | 21,303 | 22,589 | 16,679 | 23,679 | 23,778 |
| Miscellaneous, operating | 312 | 531 | 965 | 326 | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 16,336 | 21,834 | 23,554 | 17,005 | 74,716 | 74,664 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 16,336 | 21,834 | 23,554 | 17,005 | 74,716 | 74,664 |
| Operating Income (Loss) | **(179)** | **625** | **465** | **4,595** | **(53,116)** | **(53,064)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | (179) | 625 | 465 | 4,595 | (53,116) | (53,064) |
| Contributed Capital | 2,535 | 2,535 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | 51,037 | 50,886 |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 5,018 | 4,839 | 7,999 | 8,464 | 13,059 | 10,980 |
| Net Income (Loss) | 2,356 | 3,160 | 465 | 4,595 | (2,079) | (2,178) |
| Retained Earnings/Fund Balances - June 30 | **7,374** | **7,999** | **8,464** | **13,059** | **10,980** | **8,802** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 2,723 | 3,639 | 3,926 | 2,834 | 12,453 | 12,444 |

**Requested Rates for Internal Service Funds**
**Fee/Rate Information for Legislative Action**

| Vehicle Fueling Fee | FY00 | FY01 | FY02 | FY03 | FY04 | FY05 |
|---|---|---|---|---|---|---|
| Percent of Gross Fuel Purchase | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |

The Statewide Vehicle Fueling program requests that the Legislature approve an administrative fee of 0.5 percent of the gross fuel purchases as the rate for the 2005 biennium.

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 177.50 | (1.00) | 2.00 | 178.50 | (1.00) | 2.00 | 178.50 |
| Personal Services | 9,352,100 | 473,991 | 117,730 | 9,943,821 | 467,515 | 117,372 | 9,936,987 |
| Operating Expenses | 17,099,097 | 399,796 | 670,397 | 18,169,290 | 448,013 | 679,285 | 18,226,395 |
| Equipment | 583,513 | 0 | 10,000 | 593,513 | 0 | 0 | 583,513 |
| Debt Service | 1,624,335 | 0 | 0 | 1,624,335 | 0 | 0 | 1,624,335 |
| **Total Costs** | **$28,659,045** | **$873,787** | **$798,127** | **$30,330,959** | **$915,528** | **$796,657** | **$30,371,230** |
| Proprietary | 28,659,045 | 873,787 | 798,127 | 30,330,959 | 915,528 | 796,657 | 30,371,230 |
| **Total Funds** | **$28,659,045** | **$873,787** | **$798,127** | **$30,330,959** | **$915,528** | **$796,657** | **$30,371,230** |

**Please note that a HB 2 section exists for this program.**

**Program Description** -The Information Technology Services Division (ITSD) manages Information Technology (IT) services for state government. IT includes:

1. Shared statewide desktop and data network services
2. Central mainframe computer processing
3. Mid-tier access and production services
4. Local and long-distance telephone networking
5. IT planning, research and coordination
6. Design, development, and continuous maintenance support of IT applications
7. Personal computer (PC) and office automation support and consultation
8. Design and development of telephone equipment, networking applications, and other telecommunication needs
9. Internet and intranet services
10. Electronic government planning and coordination
11. Central imaging
12. Geographic information systems (GIS) coordination
13. Disaster recovery facilities for critical data processing applications
14. IT training

ITSD also manages the State Accounting, Budgeting and Human Resource System (SABHRS) operational support unit, which is responsible for the operation and maintenance of the state budget development system (MBARS) and the PeopleSoft human resource, financial, and asset management systems.

The ITSD operates generally under state mandates as specified in Title 2, Chapter 17, parts 3 and 5, MCA.

Funding for the ITSD is primarily from charges to state agencies for mainframe and mid-tier computer processing, desktop services, and state telephone support services as well as direct charges to state agencies and other entities. In order to coordinate state communication function, the division also receives a significant amount of "pass-through" funds paid on behalf of state agencies to communications vendors such as AT&T and Qwest.

ITSD costs are based on predicted utilization and projects planned in all service categories. As services and costs increase or decrease, the management of ITSD strives to ensure that the fees being charged to state agencies remain commensurate with the costs. ITSD will fund 178.50 FTE in HB 576 in FY 2004 and FY 2005, or 3.00 FTE fewer than the 2003 biennium, from the revenues generated in all areas. The division adopted competency pay in FY 2002 and offered $179,568 of pay adjustments that extend into the 2005 biennium. Operating cost reductions in excess of $2.4 million financed the pay adjustments.

# Department Of Administration-6101
# Information Technology Services Division-07

ITSD services are enterprise and statewide in nature, and therefore agencies are required to use these services. If exceptional conditions exist, agencies may be granted exceptions to meet specific agency needs. All services are offered and provided to all state and local agencies.

**Revenues and Expenses -**

(1) Change in Services or Fees: ITSD fees are based on predicted utilization and expenses. As utilization increases over the predicted expenses, ITSD is able to lower its fees appropriately. As the demand for products and services increases so do the expenses. New technology, software, equipment and support must be provided to keep up with the growing demand and needs of ITSD customers. With the need for expanding networks, ITSD is required to expand the Local Area and Wide Area networks, add additional sites and support new applications being developed for the delivery of services by state agencies and federal regulations.

One major cost driver in all of ITSD services is fixed personal services expense that is projected on assigned FTE with a 1 percent increase in both FY 2004 and FY 2005. There are a number of major cost drivers associated with the desktop services rate including communications costs and software costs. These are projected on current utilization as well as contracted agreements.

SABHRS administrative costs major cost drivers include contracted services and software expense, which are based on base year expenditures and contracted amounts. Mainframe processing major cost drivers include software expenses based on contracted amounts, supplies based on base year expenditures and depreciation and debt service interest expense based on current schedules and on projected purchases.

Telephone equipment and long-distance major cost drivers include communication and maintenance expenses which are based on base year and contracted amounts and supplies which are also projected from base year.

(2) Working Capital discussion: ITSD is requesting a 45-day working capital to maintain ongoing operational costs. This amount of working capital is required for monthly payments to vendors in a timely manner. ITSD was at 17 days as of FYE 2002. This has been extremely difficult financially to ITSD, which has been behind in accounts payable and had to defer purchases needed to provide services to customers. This reduction in days has mainly occurred for two reasons. First, ITSD has experienced losses due to unanticipated decreases in utilization and revenue from major agencies as agencies reduced their budgets and, second, not being able to collect fixed costs from agencies that are budgeted for desktop services. ITSD has been contacting agencies about their connected devices and has found in some instances that agencies are not reporting the correct number of devices to ITSD, so these agencies are not paying the correct amount of fixed costs to ITSD for which they received budget. Unless the utilization projections listed in ITSD's FY 2003 Cost Recovery Model are received, ITSD will experience a further reduction in working capital. ITSD will need to receive a general fund loan if this continues or ITSD will fail to be able to operate.

ITSD recommended rates for the 2005 biennium assume full participation of the agencies as budgeted, including Department of Revenue POINTS II and the State Fund. If POINTS II and/or State Fund are removed from the ITSD customer base, an increase in rates or further adjustments will be required.

Based on a MAXIMUS recommendation and conversations with the staff of the Legislative Audit Division, ITSD has considered working capital when determining rates for the 2005 biennium. ITSD has increased rates to offset loss from the base year and to bring working capital up to about 43 days.

(3) Fund Equity and Reserved Fund Balance: A portion of the fund balance to this proprietary fund does relate to the investment in equipment. Management does not predict any major changes in the fund balance from the 2002 biennium level.

(4) Cash Flow Discussion: ITSD invoices state agencies and other entities for services rendered in mainframe and mid-tier processing, desktop services, and telecommunications services monthly. Receipt of revenues is typically collected within 30-60 days; however, ITSD does occasionally have delayed payments from agencies. Major expenses are annual payments for software and maintenance, the majority of which occur during the beginning of the fiscal year, bi-monthly payroll, and monthly communications and hardware maintenance.

ITSD provides the following services for a specific charge to all state and local agencies.

1. 62174 is Desktop Services that includes shared statewide desktop and data network services.
2. 62148 is SABHRS administrative costs that includes the operations and maintenance of the budget development system (MBARS) and the PeopleSoft human resource, financial, and asset management systems.
3. Mainframe processing is included in a combination of Disk Storage charges, Batch, TSO, IDMS, CICS CPU seconds charges and Read/Write Computer Transactions. These are located in accounts 62142, 62168, 62172, 62177, 62178, 62180. ITSD will no longer have Tape Storage Charges (62141). These will be combined in with CPU seconds.
4. 62370 includes telephone equipment charges which are for basic and electronic telephone sets.
5. 62385 is for long-distance telephone charges.

Desktop services utilization includes data connections to the state network. ITSD is projecting an approximate 3 percent average increase over the 2005 biennium. Currently this is based on input from a data connection survey requested from each agency. ITSD relies on this information when calculating rates. When these projections are not met by the agency, ITSD has to recover lost revenues from other service categories or reduce expenditures by reducing services provided for all.

SABHRS utilization is currently not tracked and charges are based on projected expenses. Mainframe processing is expecting an approximate 2 percent decrease over the 2005 biennium. This is based on past trends and agency input.

Telephone equipment utilization is projected from base year volume. Long-distance utilization is decreasing by approximately 30 percent from projected FY 2003 due primarily to university system student long-distance no longer participating with this program and increased use in cell phones and phone cards.

The customer payments received by ITSD include several funding sources.

One variation in expense patterns includes software expenses, which are higher in the initial purchase year and then only include fixed maintenance costs for subsequent years. There will also be some variations with equipment depreciation when the cycle of depreciation expires and the purchases of new equipment do not coincide.

There are 178.50 FTE funded in the base year.

**Rate Explanation -** Desktop services rates are charged on a monthly or yearly basis per workstation or installation.

SABHRS administrative costs are based on FTE with exceptions to the Benefits Bureau of the Department of Administration and the Montana University System, which are agreed upon amounts.

Mainframe and mid-tier charges are based upon central processing unit (CPU) seconds or other per transaction rates and client server contracts.

Voice telecommunications rates are charged based on equipment and long-distance usage.

Customers are billed at the actual fee or rate based upon the methodology used to develop those rates.

ITSD rates are based on predicted expenditures, utilization and projects planned in all service categories. ITSD strives to ensure that the rates being charged to state agencies remain commensurate with the expenditures. ITSD projects utilization numbers for service categories based on current level, trends and feedback from agencies. History has shown that these numbers do not always materialize and have shown to have negative impact on ITSD rate recovery.

ITSD determines its rates using an in-house database called "The Cost Recovery Information System " (CRIS). In FY 2002, ITSD with the help and input from several agencies, solicited proposals from qualified consulting firms to conduct an independent review and analysis, and to provide recommendations for improvements to the cost recovery methodologies and processes. MAXIMUS was hired for this review. ITSD is currently making the few changes to CRIS to follow MAXIMUS' recommendations. CRIS is designed to determine rates based on base year and projected expenditures, base year and projected utilization numbers and an allocation method for each service category to make sure ITSD rates are fair and maintain fees commensurate with costs.

ITSD has in the past had the authority to maintain a 60-day working capital. In the 2003 Legislative Session that authority was decreased to 45 days. The objective of having a working capital is to adequately recover costs to maintain current operations and plan for any unanticipated program changes or equipment purchases.

ITSD is requesting a 45-day working capital in the 2005 biennium to maintain ongoing operational costs. This amount of working capital is required for monthly payments to vendors in a timely manner.

The largest balance sheet accounts that contribute most significantly to ITSD fund equity balance is the 1704 equipment and 1709 accumulated depreciation accounts which are due to the large volume of equipment needed by ITSD to provide its services. Other significant accounts would be 1809 intangible assets and 2104 lease obligation. The amount of fund equity attributed to working capital is about $1.4 million.

CRIS uses several allocation methods for distributing indirect costs to separate rates. The methods used are:

1. Based on FTE
2. Based on Budgeted dollars or Revenue
3. Based on Workload
4. Based on Time
5. Based on Best Judgment

## -------------------------------- Present Law Adjustments ------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | ($116,594) | FY04 | $0 |
| FY05 | ($116,273) | FY05 | $0 |

**PL- 704 - Elimination of Positions -**
This decision package is to eliminate 3.00 FTE inactive positions. These include position numbers 61166148, 61166491 and 61166485.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $53,139 | FY04 | $0 |
| FY05 | $53,051 | FY05 | $0 |

**PL- 705 - Computer Security Specialist -**
Because of the increased demands in the security area, the Security Section within ITSD has found it difficult to meet the demands of the state enterprise security requirements. Increased activity in the computer virus arena alone has added an increased workload to the security area. In 1999 the state reported 2,049 virus incidents. In 2000 there were 6,786 reports and in 2001 there were 53,358 reports documented. This is an increase of 2600 percent in virus activity from 1999 through 2001. To meet these demands, ITSD is requesting 1.00 FTE in the Security Section.

Within a recent network and operations security risk assessment, various areas were noted as being lacking because of personnel resource issues. These areas include investigation of incidents in a timely manner, communication of policy and procedures to agencies, review of physical access to network devised, monitoring of logs on a daily basis, movement of external connections to the outside of the network, and updating of our disaster recovery plan.

Because of the increased need for addressing these risks as well as other important security projects, the Security Section is requesting funding in FY 2004 and FY 2005 to make permanent a 1.00 FTE (61166713) hired in FY 2002 for these purposes.

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# Department Of Administration-6101
# Information Technology Services Division-07

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $53,011 | FY04 | $0 |
| FY05 | $52,854 | FY05 | $0 |

**PL- 706 - Training Coordinator -**

ITSD is requesting to make permanent 1.00 FTE hired in FY 2002 for the continued support of training coordination and design efforts. This type of service has been requested by state agencies to help coordinate technology training for ITSD and state agencies; identify and acquire appropriate forms of training such as manuals, computer-based training resources, web-based training, and instructor-led training; provide information and support to agencies regarding applicable training for their employees to progress through a career ladder; manage all training contracts; create and design marketing materials, promotional materials and other items for customer relations purposes; coordinate the development, printing and/or online publishing of documents for the division; and provide design options and input into the user interface of the intranet applications developed by the Web Based Services Section for MINE. Funding for this position will ensure continued cost savings, to more than cover the cost of this FTE, by consolidating statewide IT training efforts.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $37,668 | FY04 | $0 |
| FY05 | $37,781 | FY05 | $0 |

**PL- 707 - Allocation of Indirect/Administrative Costs -**

Allocation of indirect/administrative costs from Management Support.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $265,297 | FY04 | $0 |
| FY05 | $389,525 | FY05 | $0 |

**PL- 708 - Balancing to ITSD Cost Recovery Information System -**

This decision package is to balance ITSD's budget projected on MBARS with its Cost Recovery Information System (CRIS). These adjustments include moving budgets between bureaus due to reorganizations, increases in communication expenses, software and equipment maintenance expenses and projected depreciation and debt service.

**------------------------------------- New Proposals -------------------------------------**

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $222,971 | FY04 | $0 |
| FY05 | $222,861 | FY05 | $0 |

**NP- 318 - Indirect Cost Allocation - HB 576 -**

There is a funding change for the Director's Office and the Management Support Bureau. NP-318 (HB 576) distributes budget to give the program authority to pay for the indirect recovery. This indirect cost recovery is an audit recommendation.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $259,821 | FY04 | $0 |
| FY05 | $258,628 | FY05 | $0 |

**NP- 702 - Statewide Roadway Centerline GIS - HB 576 -**

The Montana Geographic Information Council has determined that a statewide standardized, addressed, digital transportation database is a top priority in the overall development of the Montana Spatial Data Infrastructure (MSDI). This item requests a portion of the funding required to continue to coordinate an enterprise effort to build, maintain and distribute digital transportation data. This request is for proprietary funding of $259,821 in FY 2004 and $258,628 in FY 2005. The related decision package NP-709 in HB 2 includes $500,000 in HB 2 federal funding each year.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $315,335 | FY04 | $0 |
| FY05 | $315,168 | FY05 | $0 |

**NP- 703 - Project Management Support -**

This request is for ITSD, with the collaboration of state agencies, to provide support and staff assistance in agency project management. Technology is changing rapidly and an increasing demand is being placed on information systems to deliver business solutions faster and with fewer resources. To meet these new demands, state IT projects must be conducted in a disciplined, well-managed and consistent manner to promote the delivery of quality products and result in projects that are completed on time and within budget.

# Department Of Administration-6101
# Information Technology Services Division-07

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06522 | Central Data Processing | 61010 | Dept. of Administration | Information Technology Services Division |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Desktop Services | 7,741,725 | 8,088,226 | 9,399,924 | 9,588,943 | 10,356,786 | 10,356,786 |
| SABHRS Services | 3,215,302 | 2,797,302 | 4,168,582 | 4,203,235 | 4,651,404 | 4,794,639 |
| Long Distance | 3,089,724 | 2,782,659 | 2,751,562 | 3,346,800 | 2,050,000 | 2,050,000 |
| Telephone Equipment | 2,375,929 | 2,448,851 | 1,767,325 | 1,568,000 | 1,780,000 | 1,780,000 |
| Computer Processing | 8,768,793 | 7,865,733 | 7,980,921 | 8,295,609 | 8,895,336 | 8,727,040 |
| Other Charges For Services | 4,306,832 | 3,309,649 | 3,743,709 | 4,132,941 | 4,014,276 | 4,015,738 |
| Net Fee Revenue | 29,498,305 | 27,292,420 | 29,812,023 | 31,135,528 | 31,747,802 | 31,724,203 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 8,774 | 24,702 | 14,791 | - | - | - |
| Total Operating Revenues | 29,507,079 | 27,317,122 | 29,826,814 | 31,135,528 | 31,747,802 | 31,724,203 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 29,507,079 | 27,317,122 | 29,826,814 | 31,135,528 | 31,747,802 | 31,724,203 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 8,798,842 | 8,855,390 | 9,438,781 | 9,300,556 | 9,943,821 | 9,936,987 |
| Other Operating Expenses | 19,234,310 | 17,914,862 | 19,786,929 | 22,306,704 | 20,369,487 | 20,416,601 |
| Miscellaneous, operating | 494,071 | 275,569 | 484,526 | 479,057 | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 28,527,223 | 27,045,821 | 29,710,236 | 32,086,317 | 30,313,308 | 30,353,588 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 28,527,223 | 27,045,821 | 29,710,236 | 32,086,317 | 30,313,308 | 30,353,588 |
| Operating Income (Loss) | **979,856** | **271,301** | **116,578** | **(950,789)** | **1,434,494** | **1,370,615** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | 23,266 | (6,032) | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | 23,266 | (6,032) | - | - | - | - |
| Income (Loss) Before Operating Transfers | 1,003,122 | 265,269 | 116,578 | (950,789) | 1,434,494 | 1,370,615 |
| Contributed Capital | 1,592,495 | 1,592,495 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | (44,430) | (338,184) | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 814,614 | 440,633 | 1,960,213 | 2,076,791 | 1,126,002 | 2,560,496 |
| Net Income (Loss) | 2,551,187 | 1,519,580 | 116,578 | (950,789) | 1,434,494 | 1,370,615 |
| Retained Earnings/Fund Balances - June 30 | **3,365,801** | **1,960,213** | **2,076,791** | **1,126,002** | **2,560,496** | **3,931,111** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 4,754,537 | 4 507 637 | 4 951,706 | 5,347,720 | 5,052,218 | 5,058,931 |
| 45 days of expenses (Total Operating Expenses divided by 8) | 3,565,903 | 3,380,728 | 3,713,780 | 4,010,790 | 3,789,164 | 3,794,199 |

**Requested Rates for Internal Service Funds**
**Fee / Rate Information for Legislative Action:**
Agency Number 6101
Fund Number 06522

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | -----Requested----- FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| **Information Technology Services** | | | | | | | |
| Desktop Services | 45-Day | 45-Day | 45-Day | 45-Day | 45-Day | 45-Day | MCA 2-17-301 |
| SABHRS Services | Working | Working | Working | Working | Working | Working | MCA 2-17-501 |
| Long Distance | Capital | Capital | Capital | Capital | Capital | Capital | |
| Telephone Equipment | Reserve | Reserve | Reserve | Reserve | Reserve | Reserve | |
| Computer Processing | | | | | | | |
| Other Charges for Services | | | | | | | |

Information Technology Services seeks the ability to continue to charge various rates in order to maintain 45-day working capital, except that the desktop services rate may not exceed $72 60 per connection per month or the amount that was budgeted in an agency budget, whichever is more

# Department Of Administration-6101
# State Personnel Division-23

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 21.47 | 0.62 | 0.00 | 22.09 | 0.62 | 0.00 | 22.09 |
| Personal Services | 896,340 | 11,401 | 0 | 907,741 | 11,951 | 0 | 908,291 |
| Operating Expenses | 3,013,575 | 480,778 | 106,399 | 3,600,752 | 566,013 | 106,393 | 3,685,981 |
| Benefits & Claims | 75,450,862 | 12,467,258 | 0 | 87,918,120 | 17,987,389 | 0 | 93,438,251 |
| **Total Costs** | **$79,360,777** | **$12,959,437** | **$106,399** | **$92,426,613** | **$18,565,353** | **$106,393** | **$98,032,523** |
| Proprietary | 79,360,777 | 12,959,437 | 106,399 | 92,426,613 | 18,565,353 | 106,393 | 98,032,523 |
| **Total Funds** | **$79,360,777** | **$12,959,437** | **$106,399** | **$92,426,613** | **$18,565,353** | **$106,393** | **$98,032,523** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** The State Personnel Division manages four proprietary programs: 1) the Training program, also referred to as the Professional Development Center; 2) the Employee Benefits program, which includes the state's health and other benefit insurance plans; 3) the State Payroll/Benefits Operations program; and 4) the Flexible Spending Accounts program.

**Training Program** (Fund 06525)
The Professional Development Center (PDC) provides training and other services, such as facilitation, mediation, and curriculum design, to state agencies on a fee reimbursement basis. About 1 percent of program revenue comes from the sale of guidebooks and other publications. PDC is funded as an internal service fund with revenues generated through fees charged for services. The program has a staff of 3.00 FTE professional and also funds a small portion of an accounting technician position in the division. Statutory authority comes from 2-18-102, MCA.

Demand for services has historically been measured by the number of participants served. This measure is variable and difficult to predict from quarter to quarter. Total participants served over the past five years is as follows:

| | |
|---|---|
| FY 1998 | 2,898 |
| FY 1999 | 2,279 |
| FY 2000 | 3,289 |
| FY 2001 | 3,145 |
| FY 2002 | 3,286 |

Alternate Sources: Agencies can use several alternative sources for training and related services, such as seminars sponsored by national training firms, conferences and symposia, contracted training consultants, in-house training programs, and courses through post-secondary education institutions. PDC acts as one provider in the marketplace.

Customers Served: PDC customers are all agencies and units in Montana state government. Additional customer base includes local government agencies and private, nonprofit agencies. Agencies do not have a mandate to use PDC services; they can purchase training from any source.

Major Changes: None.

**Employee Benefits Program** (Fund 06559)
The Employee Benefits program is charged with providing state employees, retirees and their families with adequate medical, dental, life and other related group benefits in an efficient manner and at an affordable cost. The program operates a self-insured health and dental plan. Life and long -term care insurance are purchased from private sector vendors. The program contracts with private companies to provide claims processing services, health screening, managed care services and an employee assistance program.

The core service provided by the program is a medical, dental and life insurance benefit. Plan members have several plan options to choose from including two indemnity plans, Traditional and Basic, and a managed care plan administered by three different carriers, New West Health Services, Blue Cross and Blue Shield of Montana, and Peak Health Plan through their provider networks.

The program is funded by the state contribution for group benefits and by premiums and fees paid by plan members. The program currently supports 12.39 FTE and is requesting an additional 0.62 FTE for the 2005 biennium. Competency pay adjustments totaling $11,857 were made in FY 2002. The adjustments were partially financed by operating cost savings. Statutory authority is at 2-18-701 et seq. and 2-18-801 et seq., MCA.

Alternate Sources: As an alternative to providing a self-insured health plan, the state could purchase an insured plan from the private sector. Historical studies of comparable insurance plans have shown that this alternative would be more expensive. The state has operated a self-insured plan since the early 1980s.

Customers Served: Approximately 31,000 people are covered by the benefit plans provided by the Employee Benefits Program in the following categories: 11,800 regular full-time and part-time Executive, Legislative and Judicial branch employees; 3,100 retirees; 100 COBRA participants; and 16,000 dependents.

Major Changes: None.

**State Payroll/Benefits Operations Program** (Fund 06563)
The Payroll/Benefits Operations Bureau operates the PeopleSoft payroll, benefits and HR system to process, distribute, report and account for payroll, benefits and associated withholding and deductions for 13,000+ state employees in the Executive, Legislative and Judicial branches. The bureau establishes and maintains standards, processes and procedures to be followed by state agencies in preparing and submitting payroll, benefits and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs including employee benefits (group insurance, FSA, deferred compensation) classification, pay, labor relations, policy and training. The program staff is 6.00 FTE. Competency pay adjustments totaling $11,970 were made in FY02. The adjustments were partially financed by operating cost savings. Statutory authority is at 2-18-401et seq., MCA.

Alternative Sources: As an alternative to providing a centralized payroll and benefit operations system, each agency could provide their own payroll processing, or contract with private firms that provide equivalent services.

Customers Served: Payroll services are provided to 34 state agencies employing over 13,000 people and the Montana District Courts with approximately 280 employees.

Major Changes: None.

**Flexible Spending Accounts Program** (Fund 06027)
The state offers its employees the opportunity to participate in a medical care and a dependent care flexible spending account which allows them to pay for qualified expenses with pre-tax dollars. The Employee Benefits Bureau contracts with a FLEX account administrator whose fees are based on the number of employees participating in the plan. Employees designate a portion of their paycheck to be directed to the flexible spending accounts and are charged a monthly service fee, which is also collected through the payroll process. As participants in the plan incur medical or dependent care costs, which are not reimbursed to them through other sources, they file a claim with the administrator who in turn reimburses the participant with funds from the flexible spending accounts, which are maintained by the state, up to the employee's annual election amount. Annual elections that are not claimed are forfeited by the employee, and are retained by the fund to help cover operating costs. The Flexible Spending Account program is accounted for as an enterprise fund. No FTE are funded by this program.

# Department Of Administration-6101
# State Personnel Division-23

**Revenues and Expenses -**
**Training Program** (Fund 06525)

(1) Change in Services or Fees. The Professional Development Center operates on a budget of about $275,000 a year. The budget is typically split into the following expense categories:

(2)

| | |
|---|---|
| Personal services | 60 % |
| Variable costs | 35 % |
| Fixed costs (prior to 2004) | 5 % |

The major cost driver for all PDC rates is personal services, supporting 3.08 FTE. Other cost drivers that have a significant impact on rates are consulting services, printing, training supplies, communications, and travel, which vary according to the demand for PDC services. Prior to FY 2004, PDC fixed costs accounted for about 5 percent of the program budget. In the 2005 biennium, fixed costs and new indirect costs allocated to the program will make up 11 percent of the budget. The table below depicts historic and projected services, based on open-enrollment and contract services and shows how participation in training varies from year to year. Service levels provided in FY 2004 are projected to be similar to levels in FY 2002 and are expected to increase moderately in FY 2005. Training rates for the 2005 biennium are based on the proportion of fixed costs, including personal services, to the overall anticipated expenses of the program, in an effort to ensure that demand driven revenues are sufficient to cover the total program cost.

| Fiscal Year | Open Enrollment Participants | Open Enrollment Hours | Contract Service Participants | Contract Service Hours |
|---|---|---|---|---|
| FY 1997 | 1001 | 875 | 2333 | 676 |
| FY 1998 | 908 | 813 | 1990 | 726 |
| FY 1999 | 883 | 882 | 1396 | 599 |
| FY 2000 | 1368 | 1115 | 1921 | 444 |
| FY 2001 | 1292 | 1162 | 1853 | 377 |
| FY 2002 | 1473 | 1145 | 1813 | 420 |
| FY 2003 – projected* | 1150 | 1100 | 1500 | 400 |
| FY 2004 - projected | 1450 | 1150 | 1700 | 440 |
| FY 2005 - projected | 1600 | 1200 | 1800 | 500 |

* The budget cuts for FY 2003 will likely decrease what agencies spend on training

(2) Working Capital Discussion. The average time between PDC providing a service and collecting revenue is 45 days. In order to cover on-going expenses over a 45-day period, PDC should maintain a working capital reserve of $25,800. The major portion of training expenditures do not fluctuate much on a monthly basis. Revenues fluctuate to a much greater extent. Historically, revenues have been low in the first fiscal quarter and increased in each subsequent quarter as agencies gain more comfort in directing their discretionary funds to personnel training. A 45-day working capital would permit PDC to keep up with its fixed and on-going expenditures when demand for services is lower than the average fiscal year revenue expected , and would cover periods of potentially short cash during the accounts receivable collection cycle. Currently, PDC has no working capital. Over past years, the program has often been in the situation where it needed to borrow funds from other programs to cover its day-to-day operations. The rates being requested for the 2005 biennium allow PDC to raise a 45-day working capital reserve over the biennium by including the reserve amount in its fixed costs for the rate calculation.

(3) Fund Equity and Reserved Fund Balance. The PDC has no requirement to reserve any of its fund balance. Management desires to maintain a fund balance sufficient to provide a 45-day working capital. There is $83,142 of the fund equity at FYE 2002 attributable to collections from agencies for the Labor Management Training Initiative which was agreed to during economic negotiations during the 2001 Legislative Session. These funds will be spent in FY 2003 for the purposes outlined in the initiative. The remaining fund balance attributable to PDC functions is ($17,020) after netting the program's compensated absences liability from total fund equity. The rates being requested for the 2005 biennium allow PDC to fund this outstanding liability over the course of the biennium.

(4) Cash Flow Discussion. As stated above, the average length of time between PDC providing training services and collecting revenues for these services is 45 days. During the first two quarters of the fiscal year when demand for PDC

services is lower, cash receipts tend to be at their lowest levels. Cash outflows remain fairly constant during this time period as more than 60 percent of PDC expenses are generally fixed in nature and occur independent of its revenue stream. This is the time of year when PDC runs short of cash. Toward the end of the year agencies process their training invoices more readily and send more people to training.

Specific Services and SABHRS accounts. The primary services provided by PDC are open enrollment training courses and contract training. For open enrollment trainings, the PDC schedules, promotes, and conducts courses that are open to students from all agencies. PDC charges a set fee per student for attendance. During most of FY 2000 and all of FY 2001, the typical fee had been $65 for a half-day course and $90 for a full-day course. For all of FY 2002, the typical fee was $70 for a half-day and $95 for a full-day.

PDC also conducts four management course series that last six or seven days, with an average cost of $375 per student. If any open-enrollment training involves travel outside Helena, the fee remains the same and PDC absorbs the travel and facility expenses.

PDC also contracts with individual agencies to provide training for its staff. The agency schedules, promotes, and provides the facility for training. PDC provides the instruction and class materials. On a contract, PDC charges a flat fee, depending on the length of the training and the number of events the agency has contracted. For FY 1995 through FY 2001, the typical contract fee was $450 for a half day and $700 for a full day. Since the start of FY 2002, the typical contract fee has been $500 for a half day and $750 for a full day. If the training involves travel outside Helena, travel expenses are added to the contract fee. If an agency contracts for more than one training event, PDC discounts the fee, based on the number of events. Discounts range from 7 percent to 30 percent. These discounts follow a written, consistent fee schedule.

For facilitation, mediation, consulting, and curriculum development PDC charges an hourly rate of $55 and adds travel expenses, if any, to the invoice. On average, these services account for 15 percent of total revenue each year.

Two minor revenue categories are publication sales and room rentals. PDC maintains half a dozen booklets available for sale, with prices ranging from $1 to $15. The booklet price covers costs of development, printing, and distribution. PDC rents out the meeting rooms in the Metcalf Building to other parties when PDC isn't using them, charging a fee to cover rent and coffee service provided in the room. Revenue from publications and meeting rooms is usually less than 1 percent of total annual revenue.

Deposits for all PDC services are recorded in the following organizations (orgs) on SABHRS under the Department of Administration (61010). In each of these orgs, PDC records revenue in account 522091. All base year funding was proprietary.

| | |
|---|---|
| Open Enrollment Management Classes | 2325 |
| Other Scheduled Classes-Open Enrollment | 2326 |
| Contract Training | 2327 |
| Consulting and Other Services | 2328 |
| Room Rentals | 2329 |
| Sale of Merchandise | 2331 |
| Conferences | 2332 |
| Governmental Accounting Classes | 2334 |

Customers record payments to PDC in two main areas: 62809 Education / Training Costs and 62102 Consulting and Professional Services.

**Employee Benefits Program** (Fund 06559)
(1) Change in Services and Fees. No significant changes in service are contemplated. Fees must be increased as discussed below. The primary cost driver in the fund is the cost of health and prescription drug claims. Medical claim costs are increasing at a rate of approximately 8 percent annually. Drug claims are increasing 16 percent annually.

(2) Working Capital Discussion. The Benefits and Health Insurance program maintains a substantial reserve to allow it

to cover health claims against the self-insured plan. Insurance regulations require a certain reserve to be maintained in order to protect the well-being of participants in the plan. In addition the program maintains a reserve to cover its pending liability for claims that have been incurred but not reported at any point in time. Reserve levels are monitored closely by the program with the assistance of its benefit consultant to ensure that the plan is complying with the insurance industries standard practices and requirements.

(3) Fund Equity and Reserved Fund Balance. The reserves for the self-insured plan are calculated as a percentage of claims and consist of two components; incurred but not reported (IBNR) reserves and claims fluctuation reserves. A portion of the claims fluctuation reserve, known as the "Grandfathered benefit" reserve, is set aside to pay the claim liability incurred when the state changed the timing on collecting premiums in August 1998. The switch was from collecting premiums prior to commencement of the month of coverage to collecting premiums during the month of coverage. Employees in service on or before August 1998 are entitled to this Grandfathered reserve.

(4) Cash Flow Discussion. It is projected that about $6.9 million per month in claims will be paid in FY 2004 and $7.4 million in FY 2005. Premiums are collected either bimonthly with paycheck processing or at the beginning of the month depending on whether the premium is for active employees, retirees, legislators, or COBRA employees. Premium rates in FY 2002 were set lower than anticipated claims as part of the program's plan to reduce the amount of its reserves. In FY 2002 claims and other operating costs exceeded premium revenues by $8.1 million, which has left the reserve balance dangerously low.

The cost of providing medical care is rising at a significant rate. Based on FY 2002 expenses of $70.6 million for medical, dental and prescription claims, these expenditures are projected to be $82.8 million in FY 2004 and $88.8 million in FY 2005.

Claims cost make up approximately 94 percent of program expenditures. Administrative costs comprise about 6.1 percent of total program expenditures, including contracting with vendors to process claims, managed care review, and administrative costs directly within the department.

The program records premium revenues received from the state contribution, out-of-pocket premiums for dependents, retirees, COBRA, and legislators in revenue accounts 525039, 525040, 525041, 525042, 525077, and 525079 in fund 06559 under org 2302. Contracted claims administrator fees are recorded in account 62102, 62199 and 62868. Medical and dental claims are paid out of account 67299 and 67205. Prescription drug claims are paid from account 67206. Managed care services are paid from accounts 67203, 67204 and 67208. Vision services are paid from 67209. Long-term care premiums are paid from account 67210 and Life Insurance premiums are paid from 67299.

**State Payroll/Benefit Operations Program** (Fund 06563)

(1) Change in Services or Fees. The major cost drivers for the Payroll/Benefit Operations Bureau are personal services for 6.00 FTE, audit fees, computer services/laser printing, and warrant writing fees, totaling 86 percent of total expenses. The fixed costs are based on fees developed by other divisions/agencies for services provided to the bureau. The distribution of expenses is as follows:

| | |
|---|---|
| Personal Services | 63.03 % |
| Warrant Writing | 4.00 % |
| Audit Fees | 11.50 % |
| Computer Services & Laser Printing | 7.85 % |
| Other Services | 4.94 % |
| Supplies & Materials | 1.07 % |
| Communications | 1.94 % |
| Travel | 0.31 % |
| Rent | 1.99 % |
| Repair & Maint. | 0.19 % |
| Other Expenses | 3.18 % |

Increases in personal services are difficult to forecast. Historically Peoplesoft HR upgrades have increased overtime expenses, as staff members are required to perform normal production duties as well as devote considerable time to the analysis, training, and implementation of the newest software release. Upgrade efforts are currently scheduled for the

spring of 2003 and the fall of 2005. A trend is also developing to centralize additional payroll processes. As business processes are re-evaluated and re-designed it is becoming necessary to centralize specific tasks to increase the functionality of the software.

(2) Working Capital Discussion. Included in the payroll rates is the accumulation of a 45-day working capital amount of $52,980 by the end of FY 2005. Of this total there is $26,490 included in the calculation of both the FY 2004 and FY 2005 rates. The working capital is needed to fund the payroll process prior to the quarterly receipt of fees from each agency in order to ensure the uninterrupted processing of the state payroll on a bi-weekly cycle.

(3) Fund Equity and Reserved Fund Balance. The payroll fund currently has fund balance of $15,946 which is the net balance of the program compensated leave liability and cash. Management aims to increase fund equity to maintain a 45-day working capital reserve. The program does not have a requirement to reserve any of its fund equity.

(4) Cash Flow Discussion. Payroll fees from agencies are collected quarterly. Personal services and operating costs are paid with payroll fee receipts on a regular and stable basis throughout the year. There are no irregular cash outlays that occur in the payroll fund.

A discussion of the specific services provided to payroll program customers is given in the proprietary Program Description. The payroll program is accounted for as a proprietary fund and uses the following SABHRS accounts. Revenue for all payroll-processing services are recorded under the Department of Administration (61010), in Org. 2335, fund 06563. Account 521049-Payroll Processing Fees, represents 99.9 percent of revenue collected. Central payroll processing costs are allocated to each agency based on the average number of employees processed and paid bi-weekly by each agency the previous biennium. Account 526040 Misc. Receipts, represents 0.1 percent of revenue collected. This second revenue account includes small payments from the United Way for processing charitable donations withheld through payroll deduction.

Agencies record payments of payroll processing fees in account 62114 - Payroll Service Fees. The following schedule shows the average number of employee payroll checks and advices processed and paid for the past three years, and projections through the 2005 biennium.

| Fiscal Year | Ave. # of Employees Processed and Paid |
|---|---|
| FY 200 | 12,029 |
| FY 2001 | 14,706 |
| FY 2002 | 13,334 |
| FY 2003 (est) | 13,464 |
| FY 2004 (est) | 13,334 |
| FY 2005 (est) | 13,464 |

Note: fires in the summer of 2000 increased employee counts

**Flexible Spending Account (FSA) Program**

(1) Change in Services or Fees. The primary cost driver for the program is claim cost. Claim costs typically are by revenues since claims are only reimbursed up to the level which a participant elects on an annual basis. However, a participant in the medical FSA could potentially request reimbursement for a claim that exceeds his contributions to date and then terminate his employment with the state before contributing his total elected amount. The fund is not able to seek reimbursement for the paid out claim under IRS regulations. Forfeitures of unclaimed annual elections offsets the risk of contributions not being received. The second largest cost driver is the cost of the claims administrator. Currently the claim administrator charges $2.15 per member per month. This rate is subject to inflation and other cost increases by the administrator on an annual basis. Bank service charges are a fairly minor program cost. Because the administrator reimburses the participants directly from a state bank account, the state must maintain a separate and distinct bank account for this activity. In calendar year 2002 the IRS increased the annual election amounts for FSA accounts and this is expected to create an increase in the amount of claims processed. The state health insurance plan is also expecting that out-of-pocket premiums will be increasing beginning in January 2003 and this may result in participants providing for these additional costs through their FLEX plan.

(2) Working Capital Discussion. The net amount of forfeited elections over claim reimbursements that are not matched

by contributions provides funds that are available to cover minor internal operating costs. The program has not established rates that would permit a build-up of working capital to fund the program when claims exceed contributions. Rates charged to the participants are passed through to the FSA administrator.

(3) Fund Equity and Reserved Fund Balance. The program is not required to reserve any fund balance.

(4) Cash Flow Discussion. The program does run short of cash to pay claims as a result of the timing difference between when a medical claim can be reimbursed and when contributions for medical claims are received. Historically claims in the first half of the calendar year exceed contributions. The fund becomes flush by the end of the calendar year as claim amounts have reached the participants' election amounts.

**Rate Explanation –**
**Professional Development Center** (Fund 06525)
The PDC establishes rates by separating fixed and overhead costs from the variable costs directly associated with producing a specific service, such as a workshop. The total projected fixed costs are divided by an estimate of total billable hours to allocate fixed costs to billable staff hours.

Estimated billable hours for the 3.00 FTE professionals in the program stem from an analysis of past fiscal years. General preparation time, planning, administrative tasks, personal leave, and unbilled travel time are subtracted from the total available hours. This analysis indicates that 25 percent of total staff time can be billed to specific products or services.

An analysis of expenditures shows that 35 percent of total costs can be associated with specific products or services. The remaining 65 percent are personal services and other fixed cost that must be allocated through staff time. One half of the 45-day working capital requirement has been added to the fixed costs for the rate calculations in order to establish the full working capital requirement by the end of the biennium.

The base rate for services is calculated as:
[(Total Costs x 65 percent)+0.5(Working Capital)+0.5(Unfunded Leave)] / (Total Hours x 25 percent) = Staff Cost per Hr

The base rate is used to set the price of individual workshops by analyzing the staff time required to develop and provide the workshop, along with other variable costs (printing, facility rent, materials, travel, etc.) associated with conducting the training. The base rate is also used to set a general schedule of prices where staff time and variable expenses can be consistently projected.

The base rates for FY 2004 and FY 2005 are projected as follows:
FY 2004 ($274,555 x .65) + 0.5(25,800)+0.5(17,020)] / (6240 x .25) = $128.12 / hour
FY 2005 ($275,669 x .65) + 0.5(25,800)+0.5(17,020)] / (6240 x .25) = $128.59 / hour

Justification for a 45-day working capital is provided in the narrative section for proprietary Revenues and Expenses. The cash and accounts receivable balance sheet accounts most significantly contribute to fund equity. The program does not have any outstanding accounts or loans payable. The vast majority of fund equity available at FYE 2002 is attributed to the Labor Management Training Initiative fund and will be expended in FY 2003 for those purposes.

With the above rates established, setting actual prices for services becomes more an art than a science. The PDC differs from nearly every other fee-for-service program in state government. One, it doesn't have a captive market. Besides using PDC, agencies may establish their training in-house or buy it from other providers. Two, training is a discretionary expense by agencies. Managers approve or disapprove each training request, and it's often the first expense to get cut when budgets are tight.

In this environment, PDC aims to provide high-quality training at a competitive cost. The fees need to be market-based as well as cost-based. The PDC analyzes expenses, historic participation rates, projected participation, and projected revenue, coupled with information about competitors' fees. That provides the reasonable basis for setting the following fees.

| Type of service | FY 2004 | FY 2005 |
|---|---|---|
| Open enrollment courses | | |
| Two-day course, per participant | 155 | 160 |
| One-day course, per participant | 97 | 99 |
| Half-day course, per participant | 75 | 77 |
| Eight-day management series | 435 | 445 |
| Six-day management series | 380 | 385 |
| Four-day administrative assistant series | 280 | 285 |
| Contract courses | | |
| Full day of training, flat fee | 760 | 780 |
| Half day of training, flat fee | 500 | 520 |
| Other services | | |
| Consulting or facilitating, hourly fee | 55 | 55 |
| All other services, hourly fee | 50 | 50 |

**Employee Benefits Program** (Fund 06559)
The rate provided in HB 2 is the state contribution, i.e., the employer share of premium toward health care coverage. As a component of employee compensation, the state contribution is a subject of collective bargaining.

The objective for the state contribution is to provide sufficient dollars to underwrite affordable coverage for all participants in the plan including sufficient dollars to cover the "employee only" cost of providing a core medical, dental and life insurance benefit. Historically, there have been a few dollars of the state contribution left over that employees can apply toward dependent coverage, additional life insurance or to place into a medical or dependent care flexible spending account (FSA).

Income for the program in FY 2002 was $66.8 million. The state share portion of this income was $43.1 million or 65 percent. The remaining income was from participant paid premiums and investment earnings. Total expenses during FY 2002 were $74.9 million. Excess reserves made up the difference.

Projected income for the next biennium needs to match projected expenses as described below. The self-insured benefit plan has been spending at a deficit for the past several years. By the end of FY 2002, excess reserves were exhausted.

Standard insurance industry analytical techniques are used to project plan costs, establish sufficient actuarial reserves and set premium amounts for the various plan options. In managing the plan the department has the opportunity to increase income by increasing participant premiums or to reduce expenses by reducing the amount of plan coverage. Plan coverage changes include increasing participant deductibles and co-payments, eliminating the payment for some medical services, or looking for opportunities to reduce the cost of services provided.

The following schedule shows historical rates for the state contribution for employee insurance coverage as well as historical medical and pharmacy cost trends. Rates for FY 2004 and FY 2005 have not been determined at this time.

| Fiscal Year | Monthly Employer Contribution | Percent Inc. Over Prev. | Medical Cost Trend | Pharmacy Cost Trend |
|---|---|---|---|---|
| 1994 | $210 | N/A | N/A | N/A |
| 1995 | $230 | 9.5 % | N/A | N/A |
| 1996 | $220 | -4.3 % | N/A | N/A |
| 1997 | $225 | 2.3 % | N/A | N/A |
| 1998 | $245 | 8.9 % | 9.0 % | 20.8 5 |
| 1999 | $270 | 10.2 % | 8.9 % | 33.2 % |
| 2000 | $285 | 5.5 % | 8.7 % | 9.2 % |
| 2001 | $295 | 3.5 % | 7.1 % | 5.1 % |
| 2002 | $325 | 10.2 % | 12.6 %** | 12.0 %** |
| 2003* | $366 | 11.1 % | 8 %** | 16.0 %** |

*The FY 03 rate becomes effective January 1, 2003.
**Projected trend rates

The balance sheet accounts contributing most significantly to the fund equity balance are the investment accounts (long-term securities, STIP, and long-term securities on loan) and the liability for claims incurred but not yet reported.

**Flexible Spending Accounts** (Fund 06027)
The rate charged to participants in the Flexible Spending Account plans is established through the competitive bid procurement process and contract negotiations with the successful bidder for the claims administration contract. The price charged by the administrator is the price paid by the participant.

## -------------------------------- Present Law Adjustments ------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $12,873,360 | FY04 | $0 |
| FY05 | $18,530,342 | FY05 | $0 |

**PL- 2301 - Employee Benefit Program, Administration, & Claims -**
The Employee Benefits Program has added several new benefit plans in an effort to control increasing health care costs to the state's self-insured plan. Claim costs have risen substantially over the past few years and this trend is expected to continue, both in the state's plan and nationally. Contracts for claim administrators and insurance providers are being reprocured and it is expected that the cost of these services will increase.

Additional Employee Benefit Services: The benefit programs, and contracted providers, must be monitored and evaluated to ascertain the effectiveness of the services the state receives. The number and complexity of the different health plans available to state employees has increased the number of customer inquiries being received by the bureau beyond a level that can be handled by existing staff. The Employee Benefits Bureau is requesting 0.62 FTE to meet its responsibility for oversight and administration of the health benefit plans which include managed care, life insurance, long-term care insurance, vision benefits program, employee assistance program, day care program, and the flexible spending account program. The total biennial cost for the requested FTE is $50,220.

Flexible Spending Accounts: Claim costs in the state's Flexible Spending accounts are anticipated to increase in the 2005 biennium as a result of projected annual increases in member participation in the medical flex program and increases in the dollar amount of claims pledged and processed in both the dependent and medical care flex accounts. It is anticipated that overall the annual increase in dependent care claims processed will be 3 percent each year after FY 2002. Medical care claims are expected to increase 15 percent each year over the claim volume experienced in FY 2002. The State Employee Benefits Program obtained a new FLEX administrator mid-way through FY 2002 with a substantially lower administrative cost per participating member. The administrative costs paid for the second half of FY02 were approximately $9,000 less than the administrative costs paid in the first half of the base year. The administrative fee rate is set on an annual basis in conjunction with the calendar year. It is estimated that the contracted administration fee will increase 5 percent each year through FY 2005. The FLEX program will have additional internal operating costs for statewide audit fees and SFCAP allocated to it in the 2005 biennium for the first time.

Claim Costs and Administration of Health Benefit Plans: Medical and dental claim costs are projected to increase 8

percent during the next biennium. Nationally health insurance claims are increasing at an even faster rate. Prescription drug claim costs are expected to continue increasing 16 percent annually.

Claim Administrator costs, and other contracted benefit providers working with the state, are expected to increase at least 5 percent annually. The program has actively sought out cost containment arrangements with benefit providers such as the Montana Direct Hospital contract, which helps lower hospitalization costs to the plan, and is participating in large employer purchasing pools. Administration of these new arrangements will increase the program's consulting costs.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $26,468 | FY04 | $0 |
| FY05 | $26,463 | FY05 | $0 |

**PL- 2303 - Indirect Cost Allocation – HB 576 -**
The State Personnel Division programs, including Personnel Administration, Employee Benefits, Central Payroll and Training, will require additional authority to cover indirect/administrative costs to fund to department's data processing, management services, human resources, and legal units. The division's total indirect fixed cost allocation will be $59,912 in FY 2004 and $59,876 in FY 2005; only the increase is shown here.

## ------------------------------------- New Proposals -------------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $11,788 | FY04 | $0 |
| FY05 | $11,782 | FY05 | $0 |

**NP- 318 - Indirect Cost Allocation - HB576 -**
Funding change for the Director's Office and the Management Support Bureau. NP-318 distributes budget and give the program authority to pay for the indirect recovery. This indirect cost recovery is an audit recommendation.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | ($40,389) | FY04 | $0 |
| FY05 | ($40,389) | FY05 | $0 |

**NP- 2302 - Elimination of Service -**
During economic negotiations with labor unions during the 2001 legislative session, the state agreed to provide a labor management training initiative fund of $150,000 for the 2003 biennium with the purpose of coordinating labor relations training and skill development in order to enhance the long-term relationships between the state and participating unions. The labor management training initiative fund was accounted for in the State Personnel Division Training Program under fund 06525 and $40,390 went toward providing training under this initiative. The initiative was a one-time expense that is not expected to carry into the 2005 biennium.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $135,000 | FY04 | $0 |
| FY05 | $135,000 | FY05 | $0 |

**NP- 2305 - State Recruitment Advertising -**
The State Personnel Division would like to propose that advertising for state agency position vacancies in Montana newspapers be consolidated into a single display ad that runs each Sunday in the State's five major newspapers (Missoula, Butte, Great Falls, Helena, and Billings). It is estimated that the once-a-week, consolidated advertisement would cost $135,000 annually, as opposed to the estimated $1.1 million currently spent by state agencies in advertising vacant positions. The consolidated advertisement would eliminate redundant information regarding the state as an employer and would refer people to the state's web site for detailed information related to each advertised position. The State Personnel Division proposes that the cost of running the consolidated advertisements be distributed to agencies on a FTE basis and be accounted for in a new internal service fund (06590).

# Department Of Administration-6101
# State Personnel Division-23

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06563 | Payroll Processing | 61010 | Dept. of Administration | Payroll/Benefit Operations |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Payroll Processing Fees | 308,746 | 308,745 | 358,604 | 367,908 | 435,310 | 461,614 |
| Miscellaneous Payroll Services | - | 300 | 1,943 | 800 | - | - |
| Net Fee Revenue | 308,746 | 309,045 | 360,547 | 368,708 | 435,310 | 461,614 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 338 | 1,983 | 98 | - | - | - |
| Total Operating Revenues | 309,084 | 311,028 | 360,645 | 368,708 | 435,310 | 461,614 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 309,084 | 311,028 | 360,645 | 368,708 | 435,310 | 461,614 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 219,231 | 234,132 | 248,106 | 254,646 | 248,535 | 248,185 |
| Other Operating Expenses | 126,807 | 110,498 | 116,324 | 102,923 | 137,718 | 90,307 |
| Miscellaneous, operating | 10,679 | 10,775 | 12,268 | 11,803 | 12,760 | 13,098 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 356,717 | 355,405 | 376,698 | 369,372 | 399,013 | 351,590 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 356,717 | 355,405 | 376,698 | 369,372 | 399,013 | 351,590 |
| Operating Income (Loss) | **(47,633)** | **(44,377)** | **(16,053)** | **(664)** | **36,297** | **110,024** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | (47,633) | (44,377) | (16,053) | (664) | 36,297 | 110,024 |
| Contributed Capital | 103,315 | 103,315 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 6,712 | (40,921) | 18,017 | 1,964 | 1,300 | 37,597 |
| Net Income (Loss) | 55,682 | 58,938 | (16,053) | (664) | 36,297 | 110,024 |
| Retained Earnings/Fund Balances - June 30 | **62,394** | **18,017** | **1,964** | **1,300** | **37,597** | **147,621** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 59,453 | 59,234 | 62,783 | 61,562 | 66,502 | 58,598 |

**Requested Rates for Internal Service Funds**
**Fee / Rate Information for Legislative Action:**
Agency Number: 61010
Fund Number: 06563

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ------Requested------ FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Fee Group A | | | | | | | |
| Payroll Service Fees (per employee processed per pay period) | 0.99 | 0.81 | 1.03 | 1.05 | 1.25 | 1.32 | MCA 2-18-401 et seq |

Payroll rates were established to build and maintain a 45-day working capital.

# Department Of Administration-6101
# State Personnel Division-23

### Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06559 | Employee Group Benefits | 61010 | Dept. of Administration | State Personnel Division |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Net Fee Revenue | - | - | - | - | - | - |
| Investment Earnings | 1,151,083 | 2,509,402 | 1,070,094 | 520,000 | 520,000 | 520,000 |
| Securities Lending Income | 228,542 | 179,753 | 146,894 | - | - | - |
| Premiums | 54,766,288 | 58,003,135 | 65,256,315 | 74,618,200 | 84,874,481 | 89,904,363 |
| Other Operating Revenues | 2,519,194 | 239,128 | 574,378 | 404,600 | 440,925 | 513,152 |
| Total Operating Revenues | 58,665,107 | 60,931,418 | 67,047,681 | 75,542,800 | 85,835,406 | 90,937,515 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 58,665,107 | 60,931,418 | 67,047,681 | 75,542,800 | 85,835,406 | 90,937,515 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 378,056 | 456,576 | 492,605 | 514,118 | 505,828 | 506,326 |
| Other Operating Expenses | 62,566,716 | 65,380,410 | 76,399,204 | 77,928,930 | 86,192,542 | 91,283,944 |
| Miscellaneous, operating | 137,377 | 152,006 | 173,142 | 136,275 | 267,495 | 279,194 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 63,082,149 | 65,988,992 | 77,064,951 | 78,579,323 | 86,965,865 | 92,069,464 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 63,082,149 | 65,988,992 | 77,064,951 | 78,579,323 | 86,965,865 | 92,069,464 |
| Operating Income (Loss) | **(4,417,042)** | **(5,057,574)** | **(10,017,270)** | **(3,036,523)** | **(1,130,459)** | **(1,131,949)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | (4,417,042) | (5,057,574) | (10,017,270) | (3,036,523) | (1,130,459) | (1,131,949) |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 25,174,200 | 21,913,824 | 16,856,250 | 6,838,980 | 3,802,457 | 2,671,998 |
| Net Income (Loss) | (4,417,042) | (5,057,574) | (10,017,270) | (3,036,523) | (1,130,459) | (1,131,949) |
| Retained Earnings/Fund Balances - June 30 | **20,757,158** | **16,856,250** | **6,838,980** | **3,802,457** | **2,671,998** | **1,540,049** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 10,513,692 | 10,998,165 | 12,844,159 | 13,096,554 | 14,494,311 | 15,344,911 |

**Requested Rates for Internal Service Funds**
**Fee / Rate Information:**
Agency Number: 61010
Fund Number: 06559

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ------Requested------ FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Fee Group A | | | | | | | |
| State Share (per employee/mont | 285 | 295 | 325 | 366 | 401 | 441 | MCA 2-18-701 et seq<br>MCA 2-18-801 et seq |

Rates are established to maintain adequate actuarial reserves. Rates for FY 2004 and 2005 have not been determined at this time.

# Department Of Administration-6101
## State Personnel Division-23

### Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | und Nam | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 6525 | Personnel Training | 61010 | Dept. of Administration | Professional Development Center |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Fees from Training Services | 235,807 | 312,530 | 260,557 | 260,095 | 269,458 | 279,197 |
| Net Fee Revenue | 235,807 | 312,530 | 260,557 | 260,095 | 269,458 | 279,197 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 272 | 135 | 285 | - | - | - |
| Total Operating Revenues | 236,079 | 312,665 | 260,842 | 260,095 | 269,458 | 279,197 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 236,079 | 312,665 | 260,842 | 260,095 | 269,458 | 279,197 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 140,511 | 146,295 | 151,136 | 149,755 | 153,378 | 153,780 |
| Other Operating Expenses | 88,885 | 87,775 | 120,894 | 89,520 | 113,126 | 113,639 |
| Miscellaneous, operating | 6,374 | 2,285 | 21,422 | 36,288 | 8,822 | 9,006 |
| Miscellaneous, other | - | - | - | | - | - |
| Total Operating Expenses | 235,770 | 236,355 | 293,452 | 275,563 | 275,326 | 276,425 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 235,770 | 236,355 | 293,452 | 275,563 | 275,326 | 276,425 |
| Operating Income (Loss) | **309** | **76,310** | **(32,610)** | **(15,468)** | **(5,868)** | **2,772** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | (550) | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | (550) | - | - | - | - |
| Income (Loss) Before Operating Transfers | 309 | 75,760 | (32,610) | (15,468) | (5,868) | 2,772 |
| Contributed Capital | 600 | 600 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | (11,506) | (11,197) | 65,163 | 32,553 | 17,085 | 11,217 |
| Net Income (Loss) | 909 | 76,360 | (32,610) | (15,468) | (5,868) | 2,772 |
| Retained Earnings/Fund Balances - June 30 | **(10,597)** | **65,163** | **32,553** | **17,085** | **11,217** | **13,989** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 39,295 | 39,393 | 48,909 | 45,927 | 45,888 | 46,071 |

**Requested Rates for Internal Service Funds**
**Fee / Rates for Legislative Action:**
Agency Number: 61010
Fund Number: 06525

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ------Requested------ FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Fee Group A | | | | | | | |
| Training Services (per hour) | 50.91 | 52.84 | 113 | 113 | 128.12 | 128.59 | MCA 2-18-102 |

The Training Program determines rates by analyzing its billable staff hours, overhead costs and variable costs which are directly associated with provision of a specific training service. Service fees include an allocation of total overhead costs based on an estimate of total billable hours during the year. Rates are established to build and maintain a 45-day working capital.

# Department Of Administration-6101
# State Personnel Division-23

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06027 | Flexible Spending Accounts | 61010 | Dept. of Administration | Personnel |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Administrative Fee Revenue | 86,044 | 89,446 | 87,980 | 87,600 | 111,461 | 125,883 |
| Net Fee Revenue | 86,044 | 89,446 | 87,980 | 87,600 | 111,461 | 125,883 |
| Investment Earnings | 3,816 | 5,302 | 2,643 | 3,150 | 3,600 | 3,600 |
| Securities Lending Income | 182 | 38 | 48 | - | - | - |
| Premiums | 3,244,249 | 3,612,786 | 3,870,683 | 4,266,929 | 4,532,461 | 5,072,946 |
| Other Operating Revenues | - | - | - | - | - | - |
| Total Operating Revenues | 3,334,291 | 3,707,572 | 3,961,354 | 4,357,679 | 4,647,522 | 5,202,429 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 3,334,291 | 3,707,572 | 3,961,354 | 4,357,679 | 4,647,522 | 5,202,429 |
| **Operating Expenses:** | | | | | | |
| Personal Services | - | - | - | | - | - |
| Other Operating Expenses clms, drs in 531000 | 3,160,174 | 3,640,595 | 3,636,358 | 4,181,812 | 4,539,865 | 5,072,937 |
| Miscellaneous, operating all 62800 o/e | 86,105 | 91,527 | 101,655 | 87,600 | 110,611 | 126,174 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 3,246,279 | 3,732,122 | 3,738,013 | 4,269,412 | 4,650,476 | 5,199,111 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 3,246,279 | 3,732,122 | 3,738,013 | 4,269,412 | 4,650,476 | 5,199,111 |
| Operating Income (Loss) | **88,013** | **(24,550)** | **223,341** | **88,267** | **(2,954)** | **3,318** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | 88,013 | (24,550) | 223,341 | 88,267 | (2,954) | 3,318 |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 28,013 | 115,631 | 91,081 | 314,421 | 402,688 | 399,734 |
| Net Income (Loss) | 88,013 | (24,550) | 223,341 | 88,267 | (2,954) | 3,318 |
| Retained Earnings/Fund Balances - June 30 | **116,025** | **91,081** | **314,421** | **402,688** | **399,734** | **403,052** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 541,046 | 622,020 | 623,002 | 711,569 | 775,079 | 866,519 |

**Requested Rates for Enterprise Funds**
**Fee / Rate Information**
Agency Number: 61010
Fund Number: 06027

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ------Requested------ FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Fee for Administration (per participant/mont | 2.3 | 2.3 | 2.16 | 2.16 | 2.16 | 2.16 | MCA 2-18-812 |

Administrative fees charged and collected from plan participants are determined through competitive bid as part of the selection of a plan administrator. The plan changed administrators beginning calendar year 2002. Rates for FY05 have not been determined at this time.

# Dept of Administration-6101
# Risk Management & Tort Defense 24

**24 Risk Mgmt Tort Defense**
Brett Dahl x2421

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 16.00 | 0.00 | 0.00 | 16.00 | 0.00 | 0.00 | 16.00 |
| Personal Services | 650,653 | 87,068 | 0 | 737,721 | 87,749 | 0 | 738,402 |
| Operating Expenses | 3,978,549 | 1,640,064 | 34,480 | 5,653,093 | 1,626,350 | 34,463 | 5,639,362 |
| Benefits & Claims | 8,234,140 | 0 | 0 | 8,234,140 | 0 | 0 | 8,234,140 |
| **Total Costs** | **$12,863,342** | **$1,727,132** | **$34,480** | **$14,624,954** | **$1,714,099** | **$34,463** | **$14,611,904** |
| Proprietary | 12,863,342 | 1,727,132 | 34,480 | 14,624,954 | 1,714,099 | 34,463 | 14,611,904 |
| **Total Funds** | **$12,863,342** | **$1,727,132** | **$34,480** | **$14,624,954** | **$1,714,099** | **$34,463** | **$14,611,904** |

**Please note that a HB 2 section exists for this program.**

**Program Description** - In accordance with §2-9-201, MCA, the Department of Administration is authorized to accumulate a self-insurance fund (fund 06532) to pay for losses, purchase insurance, and to fund operations. Payments into the self-insurance fund are made from a legislative appropriation. Funding for insurance is authorized in agency budgets by the Office of Budget and Program Planning and approved by the Legislature each biennium in accordance with §17-7-501, MCA. All charges are recorded in 62104. Proceeds from the self-insurance fund are statutorily appropriated for the payment of property/casualty claims in accordance with §2-9-305, MCA.

The Risk Management & Tort Defense Division (RMTD) purchases catastrophic commercial property and casualty insurance to cover aviation and property losses that fall above self-funded deductibles for state agencies, boards, councils, commissions, and the university system. Through in-house staff and contracted services, the division self-administers (i.e., self-insures) general liability, vehicle liability, professional liability, errors & omissions, inland marine, leased/loaned vehicles, and foster care exposures.

The division provides risk management/safety training and consultative services to state agencies to prevent and/or minimize the adverse effects of physical or financial loss. The division also investigates, evaluates, and defends agencies, officers, and employees of the State of Montana in tort liability claims (i.e. personal injury or property damage to third parties) and coordinates the adjudication and settlement of claims involving damage to state property.

Currently, there are no alternatives to self-insurance. Since the early 1980s, the State of Montana has self-insured most property and liability exposures and purchased catastrophic excess (of high deductible) coverage from commercial insurance companies where feasible and cost-effective. Insurance industry underwriting losses from the terrorist attacks of September 11, 2001 (estimated at $50 billion), coupled with a 'hard market' (i.e., reduced investment income from stocks and bonds) have had an enormous impact on the availability and affordability of commercial excess insurance.

Many insurance carriers in today's market are unwilling to accept the kinds of risks that state government presents when other, more profitable alternatives are available. A recent evaluation of the cost savings realized by self-insuring versus purchasing commercial insurance estimated annual cost savings of $2 million per year.

In February of each fiscal year, the Risk Management & Tort Defense Division contracts with Tillinghast Inc., an actuarial consulting firm, to project the State of Montana's estimated unpaid loss and loss adjustment expenses (i.e., payments for settlements, judgments, verdicts, attorneys' fees, adjusters' fees, and associated costs) for each fiscal year as of June 30th. Actuarial evaluations provide an estimate of the funding that would be necessary if all of the state's claims and lawsuits for prior fiscal years came due at the same time. For example, actuarial projections of unpaid losses as of June

30, 2002, are estimated at $29,848,481. If the state had to pay all of these losses at once then it would need $29.85 million on June 30, 2002. Actuarial projected future loss costs for FY 2004 and FY 2005 determined the ultimate projected loss for those fiscal years to be respectively $10,130,230 and $10,805,580.

Since claims and lawsuits are filed at different times and paid out over as many as 10 years it is not probable that all claims would come due at once. Recent projections, however, indicate that the state's unfunded liability is increasing. These projections should not be ignored.

**Revenues and Expenses -**
Proposed increases in auto comprehensive/collision insurance are primarily attributable to increases in the number of exposure units insured. Proposed increases in aviation (i.e., aircraft and airports), property (i.e., boilers & machinery, employee fidelity bond, and fine arts) are the result of increases in the values of these assets, unfavorable insurance market conditions, and the terrorist attacks on September 11, 2001.

State agencies own or lease an estimated 9,300 vehicles per year. These vehicles are used for diverse functions including highway maintenance, law enforcement, construction, regulatory activities, and 'off-road' travel. Due to the time and distance involved in traveling state highways, state and university departments and employees accumulate millions of driving miles each year in-state and out-of-state. The diverse and 'high risk' nature of vehicle operations coupled with the time and distance involved in traveling present significant liability exposure for state agencies. Efforts to mitigate risk through defensive driver training, implementation of policies and procedures, and effective claims management by the Department of Administration have been very successful. Approximately 3,000 state employees have attended training since 1996.

State agencies own and operate 22 aircraft (including helicopters) that are used for diverse functions such as law enforcement, game management, transportation of state employees, firefighting and aerial topography. In addition, the state owns and operates 15 state airports, which connect Montana citizens and visitors in rural and urban areas and assist state agencies to more effectively conduct state business. The number of flights into West Yellowstone alone totals 3,000 per year. Historically, the state has had very few aviation losses; however, the potential for catastrophic losses requires protection in the form of catastrophic insurance. Currently, the division purchases liability insurance on an 'excess basis' with limits of $5 million per occurrence and a deductible of $1.5 million per occurrence. Terrorist attacks resulted in the losses of hundreds of lives and billions of dollars in aircraft damages. Aviation insurance carriers already 'reeling' from declining investment income in stock markets, no longer had the capacity and surplus to absorb these losses. As a result, the state's aviation insurance premiums are budgeted to increase significantly in FY 2004 and FY 2005.

Montana state government operates prisons, hospitals, and institutions. In addition, state agencies are responsible for designing and maintaining highways, law enforcement, supervising parolees, natural and wildlife resource management, placing and supervising foster children, educating students, and many other vital public functions that create enormous liability exposure and/or are not otherwise available. An increase in the frequency and the severity of general liability claims is attributed, in part, to an increase in exposure. For example, the number inmates incarcerated in prisons operated or supervised by the Department of Corrections in 1996 was 1,612 as compared to 2,423 currently. During that same period of time, the number of parolees has increased from 5,114 to 6,347. The number of foster children supervised by the Department of Public Health and Human Services has also increased. On July 1, 2000, the Department of Transportation assumed responsibility for an additional 7,500 miles of secondary highways formerly maintained by cities and counties.

Also, an unfavorable legal environment and adverse court decisions have resulted in liberal jury verdicts and court-awarded settlements. Since FY 1998, the division has experienced two historical 'worst years' of loss experience. General liability premium increases for FY 2004 and FY 2005 are required in order to re-pay a $4.7 million general fund loan and to fund projected loss costs in FY 2004 and FY 2005. Earned premium for FY 2004 and FY 2005 includes re-payment of general fund loan of $4.7 million required in FY 2002. This loan must be re-paid within one calendar year; therefore, it is anticipated that another general fund loan of $6 million will be needed in FY 2003 to cover a shortfall in revenue associated with re-payment of the first general fund loan and projected FY 2003 operational costs. Projected earned premium in FY 2004 and FY 2005 contemplates re-payment of the general fund loan needed in FY 2003 in the amount of $3 million each year of the biennium.

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# Risk Management & Tort Defense 24

During FY 2002, expenditures for settlements and verdicts totaled approximately $8,234,140. These expenditures reflect inflation in medical costs, attorneys' fees, court awards, and an unfavorable tort environment. The net effect has been a decrease in the cash balance of the state self-insurance fund.

State agencies and universities own or lease 3,300 properties with an estimated current replacement cost value of $2.4 billion. In addition, the state owns 288 boilers and hundreds of fine art objects with an estimated market value of over $100 million. In accordance with §2-9-102, MCA, the division self-funds losses that fall below commercial insurance deductibles of $150,000 per occurrence. The division purchases catastrophic excess insurance to cover unexpected losses that are beyond the ability of the state to self-fund.

Increases in insured values and the costs of excess property insurance premium account for much of the increase through FY 2003. On September 11, 2001, the property/casualty insurance industry experienced the worst year of catastrophic hull (i.e., physical damage) and liability losses in its history. Terrorist attacks resulted in the losses of thousands of lives and billions of dollars in property damage, business interruption, and consequential damage.

Property insurance carriers already 'reeling' from declining investment income in stock markets, no longer had the capacity and surplus to absorb an estimated $50 billion in costs without an infusion of new capital. As a result, the state's property insurance premiums are budgeted to increase dramatically in FY 2004 and FY 2005.

The program anticipates revenue of $14,770,015 in FY 2004 and $15,452,767 in FY 2005. These amounts are approximately 683 percent and 92 percent increases, respectively, over base year revenue. At that level of funding, the program will generate enough revenue to fund the average of losses sustained in the last three years. The program actual base year operations expenditures were $12,863,342 and 16.00 FTE. The program anticipates actual expenditures of $14,873,742 in FY 2004 and $14,860,712 in FY 2005, which are both increases of approximately 16 percent over base year expenditures, not including estimated tort claims liability.

**Rate Explanation -**The goal of the program is to maintain insurance rates sufficient to sustain losses in each year of the biennium equal to the average losses sustained in the last three years. In the last three years the state sustained an average loss of $6.1 million per year. The program's goal is therefore to generate enough premiums to cover operating expenses and sustain back-to-back losses of $6.1 million per year. The program has not adjusted the $6.1 million three-year average loss for inflation.

To set rates for the commercial insurance premium cost portion of the program, which is allocated to agency budgets as part of fixed costs, the program calculates the actual base year premiums paid to commercial carriers and adds on a percentage of increase. The program determines the amount of the percentage increase by talking to industry experts and brokers to get their opinions about how much commercial premiums will be in the upcoming biennium.

In accordance with §2-9-202, MCA, the division is responsible for the apportionment of all insurance costs to state agencies. Those costs are recovered by the division in the form of insurance premium subject to appropriations by the Legislature.

The philosophy of the division is that each state agency should bear a proportionate share of expense commensurate with their loss experience (i.e., loss payments) and exposure (i.e., number and type of vehicles, property, boilers & machinery, etc.)

The division incurs significant expense in the investigation, defense, and settlement of claims and lawsuits. Those agencies with higher losses will pay higher insurance premiums. No one agency is expected to bear the burden of paying for total costs of unexpected losses from their authorized budgets.

The Risk Management & Tort Defense Division allocates costs as follows:

Auto Liability & Physical Damage: Costs are apportioned to state agencies based upon their historical loss experience as well as the number of vehicles owned, leased, or borrowed. The state contracts with Tillinghast Inc. of Denver, Colo., to conduct the allocation.

Aviation (Aircraft & Airports): Costs for aircraft are based upon year, make, model, and value of the aircraft and are

determined by the insurance carriers. Costs for airports are apportioned to state agencies based upon the number of airports and are determined by the insurance carriers.

General Liability: Costs are apportioned to state agencies based upon their historical loss experience as well as the number of full-time equivalents (FTEs). The state contracts with Tillinghast Inc. to conduct the allocation.

Property (boilers & machinery, crime, fine arts, and miscellaneous): Costs are apportioned to state agencies based upon the estimated replacement cost value for buildings and fine arts reported as owned/leased/loaned. Costs for boilers are apportioned based upon the number of boilers. Costs for crime coverage are based on the number of FTE.

## -------------------------------- Present Law Adjustments --------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $24,163 | FY04 | $0 |
| FY05 | $24,159 | FY05 | $0 |

**PL- 2401 - Indirect Fixed Costs -**
Department indirect/administrative costs for services received from other proprietary funded centralized service functions of the agency.

---

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $1,598,067 | FY04 | $0 |
| FY05 | $1,598,067 | FY05 | $0 |

**PL- 2402 - Insurance Procurement and Administration -**
Due to recent acts of terrorism and other national events, the property casualty insurance market has hardened significantly and the Division of Risk Management and Tort Defense's insurance brokers have advised the division of the following increases from FY 2002 expenditures by line of coverage for FY 2004 and an additional 10 percent increase for FY 2005:

| | |
|---|---|
| Aircraft Liability: | 50 percent or $26,090 and 10 percent or $7,827 |
| Aircraft Hull: | 20 percent or $9,387 and 10 percent or $5,632 |
| Airport Liability: | 30 percent or $1,575 and 10 percent or $683 |
| Boiler & Machinery: | 25 percent or $4,312 and 10 percent or $2,156 |
| Commercial Property: | 100 percent or $613,200 and 10 percent or $122,640 |
| Crime: | 50 percent or $24,225 and 10 percent or $7,267 |

Estimated additional costs for the 2005 biennium will be $1,503,781.

## -------------------------------------- New Proposals --------------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $34,480 | FY04 | $0 |
| FY05 | $34,463 | FY05 | $0 |

**NP- 318 - Indirect Cost Allocation-HB576 -**
Funding change for the Director's Office and the Management Support Bureau. NP-318 (HB 576) distributes budget to this program for the indirect recovery. This indirect cost recovery is an audit recommendation.

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# Risk Management & Tort Defense 24

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06532 | Admin Insurance | 61010 | Dept. of Administration | Risk Management and Tort Defense |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Net Fee Revenue | - | - | - | - | - | - |
| Investment Earnings | 260,014 | 217,271 | 55,779 | 50,000 | 219,346 | - |
| Securities Lending Income | 72,608 | 13,214 | 1,005 | - | - | - |
| Premiums | 6,533,045 | 6,519,384 | 8,022,219 | 8,657,660 | 14,682,642 | 15,411,329 |
| Other Operating Revenues | 13,765 | 45,027 | 47,616 | 136,629 | - | - |
| Total Operating Revenues | 6,879,432 | 6,794,896 | 8,126,619 | 8,844,289 | 14,901,988 | 15,411,329 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 6,879,432 | 6,794,896 | 8,126,619 | 8,844,289 | 14,901,988 | 15,411,329 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 549,095 | 599,506 | 658,734 | 721,240 | 737,721 | 738,402 |
| Other Operating Expenses | 19,192,679 | 6,634,228 | 16,888,890 | 11,611,259 | 13,884,504 | 13,870,774 |
| Miscellaneous, operating | 23,047 | 31,127 | 27,245 | 25,783 | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 19,764,821 | 7,264,861 | 17,574,869 | 12,358,282 | 14,622,225 | 14,609,176 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 19,764,821 | 7,264,861 | 17,574,869 | 12,358,282 | 14,622,225 | 14,609,176 |
| Operating Income (Loss) | **(12,885,389)** | **(469,965)** | **(9,448,250)** | **(3,513,993)** | **279,763** | **802,153** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | (1,405) | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | (1,405) | - | - | - |
| Income (Loss) Before Operating Transfers | (12,885,389) | (469,965) | (9,449,655) | (3,513,993) | 279,763 | 802,153 |
| Contributed Capital | 2,306 | 2,306 | - | - | - | - |
| Operating Transfers In (Note 13) | 11,759 | 19,543 | 1,150,353 | 383,885 | 383,885 | 383,885 |
| Operating Transfers Out (Note 13) | (316,299) | (331,698) | (436,040) | (361,346) | (361,346) | (361,346) |
| Retained Earnings/Fund Balances - July 1 - As Restated | (10,579,153) | (23,769,082) | (24,548,896) | (33,284,238) | (36,775,692) | (36,473,390) |
| Net Income (Loss) | (13,187,623) | (779,814) | (8,735,342) | (3,491,454) | 302,302 | 824,692 |
| Retained Earnings/Fund Balances - June 30 | **(23,766,776)** | **(24,548,896)** | **(33,284,238)** | **(36,775,692)** | **(36,473,390)** | **(35,648,698)** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 3,294,137 | 1,210,810 | 2,929,145 | 2,059,714 | 2,437,038 | 2,434,863 |

**Requested Rates for Internal Service Funds**
**Fee/Rate Information for Legislative Action**

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ------Requested----- FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Premiums | | | | | | | |
| General Liability | 3,834,842 | 3,834,842 | 5,362,500 | 5,775,000 | 10,566,132 | 11,205,485 | MCA 2-9-202 |
| Auto Liability/Comp/Collision | 1,284,099 | 1,272,584 | 1,208,109 | 1,276,640 | 1,072,901 | 1,084,370 | MCA 2-9-202 |
| Aviation | 122,108 | 119,962 | 116,567 | 154,747 | 165,728 | 165,822 | MCA 2-9-202 |
| Property/Miscellaneous | 1,291,996 | 1,291,996 | 1,335,043 | 1,404,080 | 2,965,254 | 2,997,090 | MCA 2-9-202 |
| Total Premiums Charged | 6,533,045 | 6,519,384 | 8,022,219 | 8,610,467 | 14,770,015 | 15,452,767 | |

The rate objective is to maintain insurance rates sufficient to sustain losses in each year of the biennium equal to the average losses sustained in the last three years.

# State Compensation Ins. Fund-6103

**6103 State Compensation Insurance Fund**
Carl Swanson President & CEO
x6501

- 01 Montana State Fund
- 02 Old Fund

**Mission Statement -** Mission Statement:
'Montana's insurance carrier of choice and industry leader in service.'

Vision Statement:
'Montana State Fund is committed to the health and economic prosperity of Montana through superior service, leadership and caring individuals working in an environment of teamwork, creativity and trust.'

**Statutory Authority -** The State Compensation Insurance Fund (Montana State Fund) provides liability insurance for workers' compensation and occupational disease and may not refuse coverage to any employer requesting coverage (39-71-2313, MCA).

Section 39-71-2321, MCA, provides that all funds deposited in the State Fund may be expended as provide in 17-8-101(2)(b), under general laws, or contracts entered into in pursuance of law, permitting the disbursement. Based on this statutory provision the State Fund is not budgeted in the general appropriations act.

Management and control of the Montana State Fund is vested solely in a seven-member board of directors (Board) appointed by the Governor. The Board is vested with full power, authority, and jurisdiction over the Montana State Fund. The board may perform all acts necessary or convenient in the exercise of any power, authority, or jurisdiction over the state fund, either in the administration of the state fund or in connection with the insurance business to be carried on under the provisions of this part, as fully and completely as the governing body of a private mutual insurance carrier, in order to fulfill the objectives and intent of this part, 39-71-2315, MCA

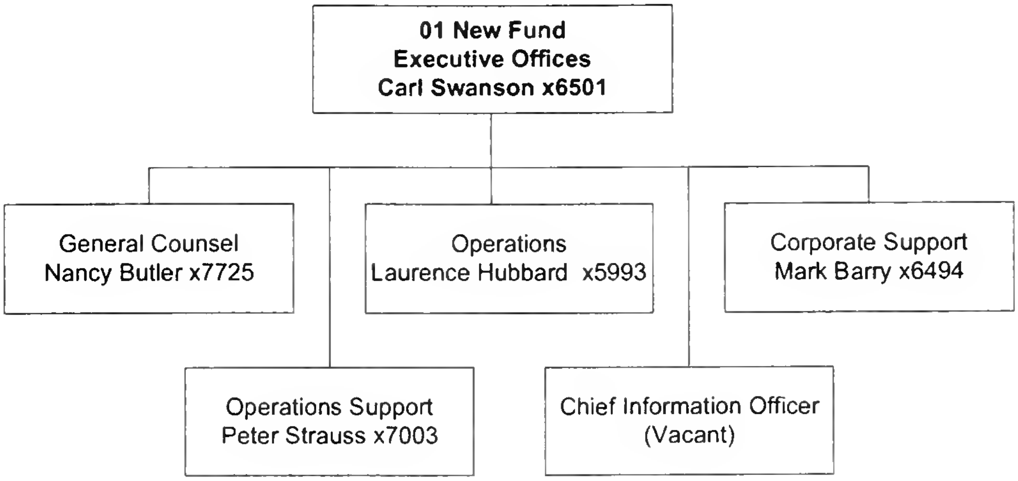
The MSF President / CEO shall annually submit to the board for its approval an estimated budget of the entire expense of administering the state fund for the succeeding fiscal year, with due regard to the business interests and contract obligations of the state fund. A copy of the approved budget must be delivered to the Governor and the Legislature. Upon approval of the estimated budget for the succeeding fiscal year, the state fund shall, no later than October 1 of each year, submit the approved annual budget for review to the Legislative Finance Committee, 39-71-2363, MCA.

The Board has the authority to establish the rates to be charged by the Montana State Fund for insurance. The Board shall engage the services of an independent actuary who is a member in good standing with the American academy of actuaries to develop and recommend actuarially sound rates. Rates must be set at amounts sufficient, when invested, to carry the estimated cost of all claims to maturity, to meet the reasonable expenses of conducting the business of the State Fund, and to amass and maintain an excess of surplus over the amount produced by the National Association of Insurance Commissioners' risk-based capital requirements for a casualty insurer, 39-71-2330, MCA.

Because surplus is desirable in the insurance business, the Board shall annually determine the level of surplus that must be maintained by the Montana State Fund pursuant to this section, but shall maintain a minimum surplus of 25% of annual earned premium. The state fund shall use the amount of the surplus above the risk-based capital requirements to secure the state fund against various risks inherent in or affecting the business of insurance and not accounted for or only partially measured by the risk-based capital requirements, 39-71-2330, MCA.

The Board has the authority to declare dividends if there is an excess of assets over liabilities. However, dividends may not be paid until adequate actuarially determined reserves are set aside, 39-71-2316 (8), MCA.

# State Compensation Ins. Fund-6103
# Montana State Fund-01




## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 240.00 | 5.50 | 0.00 | 245.50 | 6.00 | 0.00 | 246.00 |
| Personal Services | 12,644,050 | 1,659,348 | 0 | 14,303,398 | 2,075,872 | 0 | 14,719,922 |
| Operating Expenses | 10,276,249 | 2,731,489 | 0 | 13,007,738 | 2,680,362 | 0 | 12,956,611 |
| Equipment | 698,581 | 164,419 | 0 | 863,000 | 10,419 | 0 | 709,000 |
| Benefits & Claims | 69,142,390 | 16,830,920 | 0 | 85,973,310 | 26,725,528 | 0 | 95,867,918 |
| Debt Service | 14,653 | 347 | 0 | 15,000 | 347 | 0 | 15,000 |
| **Total Costs** | **$92,775,923** | **$21,386,523** | **$0** | **$114,162,446** | **$31,492,528** | **$0** | **$124,268,451** |
| Proprietary | 92,775,923 | 21,386,523 | 0 | 114,162,446 | 31,492,528 | 0 | 124,268,451 |
| **Total Funds** | **$92,775,923** | **$21,386,523** | **$0** | **$114,162,446** | **$31,492,528** | **$0** | **$124,268,451** |

**Program Description -**The State Compensation Insurance Fund (State Fund) provides liability insurance for workers' compensation and occupational disease and may not refuse coverage to any employer requesting coverage (Title 39, Chapter 71, MCA). The Montana Workers' Compensation Act requires all employers in Montana who have employees in service to carry workers' compensation insurance. The Department of Labor and Industry regulates the workers' compensation industry in Montana. Three plans exist for coverage: Plan I-Self-Insured; Plan II-Private Insurance Companies; or Plan III-State Compensation Insurance Fund (State Fund). The State Fund is a nonprofit public corporation.

The State Fund operates in a competitive market, competing with private insurers. The State Fund guarantees the availability of workers' compensation coverage for all employers in Montana. Montana law requires the State Fund to insure any employer in the state who requests coverage, except those in default of a prior payment to the fund. As provided in law, the State Fund insures all state agencies. The State Fund will insure the Montana University System should the university system elect to use the State Fund as its carrier to insure its workers' compensation and occupational disease liability.

Under the workers' compensation laws of Montana, the State Fund is liable for payment of benefits to employees for injuries arising out of and in the course of employment, or in the case of death or injury, to the beneficiaries. The State Fund pays benefits to injured employees based on a schedule of benefits established in law (Title 39, Chapter 71, MCA). The State Fund oversees two programs:

1) The State Fund is responsible for managing claims and benefits payments for injuries occurring on or after July 1, 1990.

2) The State Fund is responsible for administering claims of the Old Fund, claims occurring before July 1, 1990.

All premiums and other money paid to the State Fund, all property and securities acquired through the use of money belonging to the State Fund, and all interest and dividends earned upon money belonging to the State Fund are the sole property of the State Fund. The money must be used exclusively for the operations and obligations of the State Fund. The money collected by the State Fund cannot be used for any other purpose (39-71-2320(1), MCA).

Statute requires the State Fund to set premium rates at levels sufficient, when including future investment income, to fund the insurance program (39-71-2311, MCA). This includes the cost of administration, benefits, and adequate reserves. The State Fund is subject to the laws governing state agencies, unless specifically exempted by statute (39-71-2314, MCA).

The board is statutorily required to establish a business plan (39-71-2315, MCA) and an annual budget within parameters defined in law (39-71-2363, MCA). State law requires the State Fund to submit its annual budget to the Legislative Finance Committee for review. Dividends may not be included as administrative expenditures but are a disbursement of excess surplus. The board shall submit an annual financial report to the Governor and to the Legislature indicating the business done during the previous year and containing a statement of estimated liabilities of the State Fund as determined by an independent actuary.

The State Fund's 2005 biennial projected expenditures and funding are based on the State Fund's FY 2003 Strategic Business Plan projected through the biennium. The annual budgets shall consist of an estimate of the entire expense of administering the State Fund for the succeeding fiscal years, with due regard for the business interests and contract obligations of the State Fund. Workers' compensation premiums and investment earnings on State Fund assets fund the State Fund operations. The State Fund does not receive General Fund monies.

Strategic initiatives established in the State Fund's FY 2003 Strategic Business Plan, as approved by the State Fund Board of Directors, are:

1. Focusing on superior service delivery to our external and internal customers and emphasizing the importance of a 'safety culture' in the workplace by promoting effective safety and early return to work programs.
2. Enhancing the functionality of our computer systems (PowerComp) to easily incorporate new functions, changes to processes and interface with other major State Fund Systems.
3. Introducing legislation that will best enable the State Fund to be managed and operated in an entrepreneurial and business-like manner.
4. To develop a long-term corporate communications philosophy to ensure that the State Fund vision is reflected in all communications and fully position our company for e-commerce capabilities into the future.

During FY 2002 the State Fund continued to evaluate and improve efficiencies in work processes initiated in our reorganization in FY 2001. The State Fund operates in a team environment focused on responsiveness toward our customers and business partners. We have been following accepted insurance industry practices to ensure financial strength and stability and stability in the marketplace. Our strong surplus, along with our level of loss reserves protects injured employees and other customers against unknown events that may impact losses in any given accident year. The Montana State Fund has a fiduciary responsibility to all who receive benefits to make certain that we retain adequate reserves to deal with any future contingencies.

The State Fund Board of Directors is the approving authority for the State Fund budget. The board approves an annual budget. The State Fund board has not approved the expenditure levels in the following budget table for the 2005 biennium. Changes in business conditions and the competitive market in which MSF operates, as well as changing trends in medical and indemnity benefits, will result in changes to the budgets the Board of Directors will ultimately approve in the 2005 biennium.

The program proposed budget table shown on the previous page reflects projected operating, claim expenditures, and funding. The data cited in the table is for informational purposes only and is based on a two-year State Fund staff projection of operations. Estimates for claim expenditures and funding are periodically updated by staff and are subject to change.

# State Compensation Ins. Fund-6103
# Montana State Fund-01

**Rate Explanation –** 39-71-2330, MCA "Rate setting -- surplus - multiple rating tiers. (1) The board has the authority to establish the rates to be charged by the state fund for insurance. The board shall engage the services of an independent actuary who is a member in good standing with the American academy of actuaries to develop and recommend actuarially sound rates. Rates must be set at amounts sufficient, when invested, to carry the estimated cost of all claims to maturity, to meet the reasonable expenses of conducting the business of the state fund, and to amass and maintain an excess of surplus over the amount produced by the national association of insurance commissioners' risk-based capital requirements for a casualty insurer.

(2) Because surplus is desirable in the insurance business, the board shall annually determine the level of surplus that must be maintained by the state fund pursuant to this section, but shall maintain a minimum surplus of 25 percent of annual earned premium. The state fund shall use the amount of the surplus above the risk-based capital requirements to secure the state fund against various risks inherent in or affecting the business of insurance and not accounted for or only partially measured by the risk based capital requirements.

(3) The Board may implement multiple rating tiers for classifications that take into consideration losses, premium size, and other factors relevant in placing an employer within a rating tier."

## -------------------------------- Present Law Adjustments --------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $20,598,733 | FY04 | $0 |
| FY05 | $30,744,884 | FY05 | $0 |

**PL- 1 - Align Positions & Expenditures -**
The decision package reflects FTE, expenditure, and funding estimated by State Fund staff for the biennium. The Board of Directors has approval authority over the State Fund budget and establishes an annual budget for the State Fund (39-71-2363, MCA). The FTE levels for FY 2004 and FY 2005 are staff estimates only and have not been authorized by the Board of Directors.

# State Compensation Ins. Fund-6103
# Old Fund-02

**02 Old Fund**

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Operating Expenses | 1,354,637 | (18,958) | 0 | 1,335,679 | (118,392) | 0 | 1,236,245 |
| Benefits & Claims | 12,800,092 | (761,487) | 0 | 12,038,605 | (1,125,069) | 0 | 11,675,023 |
| **Total Costs** | **$14,154,729** | **($780,445)** | **$0** | **$13,374,284** | **($1,243,461)** | **$0** | **$12,911,268** |
| Proprietary | 14,154,729 | (780,445) | 0 | 13,374,284 | (1,243,461) | 0 | 12,911,268 |
| **Total Funds** | **$14,154,729** | **($780,445)** | **$0** | **$13,374,284** | **($1,243,461)** | **$0** | **$12,911,268** |

**Program Description** - As required in 39-71-2352, MCA, the Old Fund has a separate payment structure and funding structure. The Old Fund is established to compensate injured employees with claims for injuries prior to July 1, 1990.

The State Fund administers the claims of the Old Fund and charges the cost of administering the claims to the Old Fund. The State Fund is limited in law to charge no more than $1.25 million per year to the Old Fund for claims administration.

The Old Fund was funded through the old fund liability tax (OFLT). This tax was initially enacted in 1987 and expanded in 1993 and was administered by the Department of Revenue. The old fund liability tax was eliminated January 1, 1999. State law established parameters for the termination of the OFLT. The State of Montana budget director certified that the statutory parameters had been satisfied and that the Old Fund liability was adequately funded.

At the September 16, 1998 State Fund board meeting, the fund's consulting actuary advised the board that as of December 31, 1998 the Old Fund would be fully funded including a contingency of 10 percent. As a result of this action the board in turn advised the State of Montana budget director that the Old Fund would be fully funded as of December 31, 1998. On September 16, 1998, the budget director submitted written notice to the Department of Revenue to begin efforts to provide for terminating the collection of the old fund liability tax on January 1, 1999.

The transfer of the excess of adequate funding of the Old Fund established in 39-71-2352(5) and (6), MCA, was amended during the 2002 Special Legislative Session. The amendments were enacted to enable the Old Fund to transfer $4 million in excess of adequate funding from the Old Fund to the general fund ($1.9 million) and to the School Flexibility Fund ($2.1 million) prior to June 30, 2003. The remaining amount of excess of adequate funding from the Old Fund will be transferred to the State Fund. The total amount of funds transferred under this subsection may not exceed $63.8 million.

If in any fiscal year after the old fund liability tax is terminated claims for injuries resulting from accidents that occurred before July 1, 1990, are not adequately funded, any amount necessary to pay claims for injuries resulting from accidents that occurred before July 1, 1990, must be transferred from the general fund to the account provided for in 39-71-2321, MCA.

# State Compensation Ins. Fund-6103
# Old Fund-02

## -------------------------------- Present Law Adjustments -------------------------------

| | Total Agency Impact | | General Fund Total | |
|---|---|---|---|---|
| | FY04 | ($780,445) | FY04 | $0 |
| | FY05 | ($1,243,461) | FY05 | $0 |

**PL- 2 - Align Expenditures -**
The decision package reflects expenditure and funding estimated by State Fund staff for the biennium. The Board of Directors has approval authority over the Old Fund budget and establishes an annual budget for Old Fund (39-71-2363, MCA). The expenditures cited for FY 2004 and FY 2005 are staff estimates only and have not been authorized by the Board of Directors.

# Dept Of Fish, Wildlife & Parks-5201
# Administration & Finance Div.-01

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 3.06 | 0.00 | 0.00 | 3.06 | 0.00 | 0.00 | 3.06 |
| Personal Services | 101,601 | (736) | 0 | 100,865 | (914) | 0 | 100,687 |
| Operating Expenses | 1,063,383 | 78,809 | 0 | 1,142,192 | 103,658 | 0 | 1,167,041 |
| Equipment | 920,024 | 0 | 0 | 920,024 | 0 | 0 | 920,024 |
| **Total Costs** | **$2,085,008** | **$78,073** | **$0** | **$2,163,081** | **$102,744** | **$0** | **$2,187,752** |
| Proprietary | 2,085,008 | 78,073 | 0 | 2,163,081 | 102,744 | 0 | 2,187,752 |
| **Total Funds** | **$2,085,008** | **$78,073** | **$0** | **$2,163,081** | **$102,744** | **$0** | **$2,187,752** |

**Please note that a HB 2 section exists for this program.**

**Program Description - Duplicating Center**
The department's duplicating center provides duplicating and bindery services to department employees. The Duplicating Center has only 1.00 FTE and whenever the demand for services becomes to great or a particular job is considered too large, the excess jobs are taken to Publications & Graphics to be completed.

**Equipment Enterprise Fund**
The department's equipment fund provides a fleet of vehicles and aircraft to department employees. The revenue users are department employees, mostly enforcement wardens, fish and wildlife biologists and park employees. Every month, users are charged for the miles driven (hours flown) during the previous month.

**Warehouse Inventory**
The department's warehouse contains mainly uniform items (both for wardens and non-wardens) and items specifically related to the duties of the department such as gill nets for the fisheries biologists. Overhead costs are recovered by charging a predetermined fixed percentage to all sales.

**Revenues and Expenses -**
**Duplicating Center**
Expenses recovered in the rates are the personal services of the 1.00 FTE, operating expenses and the raw materials needed for duplicating.

Rates have been historically adjusted based on the need to increase or decrease the cash balances in the account. Prior to requesting new rates, a review of the cash balance is done. At FYE 2002, the cash balance was $20,850.

**Working Capital Discussion**
The 60-day working capital requirement provides sufficient cash to fund on-going operations of this program.

Field projects are billed monthly for the services provided during the month. The workload is fairly consistent so there is little fluctuation in cash balances except when additional inventory is purchased.

**Fund Equity and Reserved Fund Balance**
A portion of the program's fund balance has been reserved for the duplicating center's equipment and inventory. At FYE 2002 the book value of the assets was $13,000 and the fund had $11,600 in inventory.

**Equipment Fund**
The objective of the vehicle account is to recover (through rates and annual auction revenues) sufficient funds to cover administrative costs to operate the program (personal services and operations) in addition to being able to replace fleet vehicles at approximately 100,000 miles. A total of 2.06 FTE are funded in this fund. The two largest costs are fuel and

repairs. In FY 2002 the fund spent $625,000 on fuel and $500,000 on repairs. In FY 2002 the department drove just over 5,000,000 miles in department vehicles while the 10-year average is 4,950,000 miles. Due to a 15 percent rate increase in FY 2003 and the proposed rate increases in FY 2004 and FY 2005, the program anticipates revenues of $2.3 million in FY 2004 and $2.4 million in FY 2005. These amounts are increases of approximately 19 percent and 23 percent, respectively, over base year fee revenue.

**Working Capital Discussion**
The department attempts to manage this account so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level. To compensate for a cash flow problem created by keeping rates artificially low, rates were increased 25 percent in FY 2002 and 15 percent in FY 2003. We are requesting a 6 percent rate increase in FY 2004 and an additional 3 percent rate increase in FY 2005. The department attempts to ensure that fees are commensurate with costs over time. It does this in two ways. First, proposed rates for the next biennium take into consideration any excess income or loss generated from previous periods. Second, prior to finalizing new rates at the beginning of a new fiscal year, the rates are recalculated based on actual information.

In order to maintain a positive cash balance, the vehicle fund currently has a $300,000 loan from another fund. Working capital at FYE 2002 was $147,000.

Divisions are billed monthly for the miles driven (hours flown) during the previous month. Cash balances fluctuate during the year for two reasons. The first is that monthly mileage is greater during in the summer and fall than during the winter and spring. The second reason is that new vehicles are purchased in the spring. Thus cash balances are normally highest in December after the hunting season and lowest in the spring after purchasing the new vehicles. Fiscal year end balances tend to be significantly higher than spring balances

**Fund Equity and Reserved Fund Balance**
There is no requirement to reserve fund balance. At FYE 2002, the vehicle fund had total assets of $5,582,000 and the book value (original cost less accumulated depreciation) of the fleet was $5,300,000. The major liability is a $300,000 loan to ensure a positive cash balance at year-end. As stated above, working capital at FYE 2002 was $147,000. A portion of the program's fund balance has been reserved for the book value of department vehicles and aircraft.

**Warehouse Inventory**
**Revenues and Expenses**
The expenses associated with the warehouse include personal services, miscellaneous office supplies and expenses for the warehouse worker and inventory purchased needed to replenish existing stock. Revenues are the sales of inventory items to department employees. We anticipate revenues to be constant at around $90,000 per year for FY 2004 and FY 2005. Beginning in FY 2002, there is 0.20 FTE funded with this program.

**Working Capital Discussion**
The 60-day working capital requirement provides sufficient cash to fund on-going operations of this program. The department attempts to ensure that fees are commensurate with costs over time by adjusting the proposed rates for excess income or loss from previous periods.

Field projects are billed monthly for the purchases made during the month. Cash balances fluctuate during the year. Cash balances are lowest during the winter when stock is replenished and highest during the summer when temporary and seasonal employees are hired.

**Fund Equity and Reserved Fund Balance**
A portion of the program's fund balance has been reserved for the warehouse inventory. At FYE 2002, the warehouse inventory was $128,510.

**Rate Explanation -Duplicating Center**
The rate methodology attempts to determine a rate for various duplicating and bindery services that allows the fund to recover both the cost of the raw materials and all associated personal services and operating costs. Rates have been historically adjusted based on the need to increase or decrease the cash balance. The requested rates have been increased only to recover anticipated inflationary increases in the raw materials and administrative costs. The rates have remained constant for the past 4 years.

**Proposed Duplicating Services Rates**

| Item | FY 2004 | FY 2005 |
|---|---|---|
| Copies | | |
| 1-20 | $0.045 | $0.050 |
| 21-100 | $0.030 | $0.035 |
| 210-100 | $0.025 | $0.030 |
| 101-500 | $0.020 | $0.025 |
| Color - per sheet | $0.25 | $0.25 |
| Binding | | |
| Collating (per sheet) | $0.005 | $0.005 |
| Hand Stapling (per set) | $0.015 | $0.015 |
| Saddle stitch (per set) | $0.030 | $0.030 |
| Folding (per sheet) | $0.005 | $0.005 |
| Punching (per sheet) | $0.001 | $0.001 |
| Cutting (per minute) | $0.550 | $0.550 |

**Equipment**
**Rate Explanation**
The rate methodology attempts to determine a cost/mile rate for various classes of vehicles and a cost/hour rate for each class of aircraft. The methodology is to determine the previous year's expenses, including operating, maintenance, administration and depreciation expenses minus the previous year's revenue generated from the rates and the annual vehicle auction to establish the net income for a particular class. Next the life to date (LTD) net income or loss on a per mile (hour) basis is determined. Future year expenses are estimated based on the most current year's information plus a 3 percent inflationary factor. Using the most current year's mileage and the projected expenses, a cost/mile (hour) rate is determined for the future year. This rate is adjusted for any LTD net income or loss. In an attempt to minimize large increases or decreases, rates will not change more than 25 percent per year (10percent for aircraft).

In addition, in order to more fairly charge users, a minimum mileage rate was instigated in FY 2000. This was an attempt to recover overhead costs whether a vehicle is driven or not. A minimum monthly overhead charge would be assessed to each vehicle that is not driven does not maintain the class average mileage. By using this method, the overhead costs are recovered and low mileage vehicles are not being subsidized by higher mileage vehicles.

For FY 2004 and FY 2005, we are proposing to reduce the number of vehicle classes from 15 to six. This should simplify the rate setting process and stabilize any future rate increases.

**Vehicle and Aircraft Proprietary Rates**

| Description | FY 2004 | FY 2005 |
|---|---|---|
| Per Mile Rates | | |
| Sedans | $0.28 | $0.31 |
| Vans | $0.29 | $0.32 |
| Utilities | $0.36 | $0.38 |
| Grounds Maintenance | $0.95 | $1.00 |
| Pickup – ½ ton | $0.35 | $0.36 |
| Pickup – ¾ ton | $0.36 | $0.36 |
| Per Hour Rates | | |
| 2 Place Single Engine | $56.72 | $56.72 |
| Partnavia | $283.60 | $297.78 |
| Turbine Helicopters | $345.72 | $345.72 |

Vehicles will be assessed a minimum overhead charge if not driven a minimum number of miles in addition to the regular rates.

**Significant Present Law Adjustments**

Each year, department employees drive over 5 million miles in department owned vehicles. The department currently has a fleet of over 400 vehicles, which are mainly used by enforcement officers, fish and wildlife biologists and parks employees. The department's request for vehicle replacement is for 43 vehicles in both FY 2003 and FY 2004. This is based on replacing vehicles after a minimum of 100,000 miles. This replacement schedule does not require a present law adjustment.

**Adjustments to the Base Rate**

In FY 2000, the department realized that they had a cash flow problem in the vehicle account. This arose from keeping the rates artificially low in an attempt to show that rates were commensurate with costs. In the last session, the department's request to increase rates 25 percent in FY 2002 and 15 percent in FY 2003 was approved. In FY 2001, cash outflow exceeded cash inflows by $299,000 but in FY 2002 cash inflows exceeded cash outflows by $15,000. In order to recover from previous losses, we are requesting a 6 percent rate increase in FY 2004 and an additional three percent rate increase in FY 2005.

The department has found that that it is cost effective to replace vehicles after 100,000 miles. Annually, the department will auction off these vehicles and replace them with new vehicles. Historically we will replace 40-45 vehicles each year.

**Warehouse inventory**

**Rate Explanation**

The rate requested for the warehouse is an overhead rate that is added to the cost of the inventory items. The overhead rate will generate sufficient revenue to cover the administrative costs of the program.

In order to fund 0.20 FTE for a warehouse worker, the 2001 Legislative Session approved a 14 percent fixed overhead rate for FY 2002 and FY 2003. This was an increase from the 4 percent rate charged in FY 2000 and FY 2001. We are requesting a 5 percent overhead rate for FY 2004 and FY 2005. The rate is calculated by estimating the support costs required to maintain the warehouse function such as personal services, office supplies and other miscellaneous office costs. Based on estimated warehouse sales, a fixed overhead percentage is determined that allows the department to recover the warehouse support costs. This rate is also adjusted for any previous over or under collections. Due to the size of this operation, a simple warehouse overhead rate has been considered the most logical.

# Dept Of Fish, Wildlife & Parks-5201
# Administration & Finance Div.-01

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06503 | FWP Warehouse Inventory | 52010 | Dept. of Fish, Wildlife & Parks | Administration |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Revenue from Warehouse sales | - | - | - | 92,000 | 95,000 | 98,000 |
| Net Fee Revenue | 85,074 | 95,321 | 89,193 | 92,000 | 95,000 | 98,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | - | 1 | - | - | - | - |
| Total Operating Revenues | 85,074 | 95,322 | 89,193 | 92,000 | 95,000 | 98,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 85,074 | 95,322 | 89,193 | 92,000 | 95,000 | 98,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | - | - | 5,811 | 6,000 | 6,240 | 6,490 |
| Other Operating Expenses | 105,677 | 83,088 | 68,753 | 98,998 | 100,978 | 102,998 |
| Miscellaneous, operating | 125 | 60 | (75) | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 105,802 | 83,148 | 74,489 | 104,998 | 107,218 | 109,488 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 105,802 | 83,148 | 74,489 | 104,998 | 107,218 | 109,488 |
| Operating Income (Loss) | **(20,728)** | **12,174** | **14,704** | **(12,998)** | **(12,218)** | **(11,488)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | (20,728) | 12,174 | 14,704 | (12,998) | (12,218) | (11,488) |
| Contributed Capital | 85,450 | 85,450 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 129,256 | 108,528 | 206,152 | 220,856 | 207,858 | 195,640 |
| Net Income (Loss) | 64,722 | 97,624 | 14,704 | (12,998) | (12,218) | (11,488) |
| Reserved for Inventory | 168,492 | 150,288 | 128,510 | 150,000 | 160,000 | 170,000 |
| Unreserved Earnings/Fund Balances - June 30 | **25,486** | **55,864** | **92,346** | **57,858** | **35,640** | **14,152** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 17,634 | 13,858 | 12,415 | 17,500 | 17,870 | 18,248 |

Fee/Rate Information for Legislative Action

| Requested Rates for Internal Service Funds | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|---|---|---|---|---|---|---|
| Warehouse Overhead rate | 0 04 | 0 04 | 0 14 | 0 14 | 0 05 | 0 05 |

The rates above indicate percentage markup on cost of uniform pieces and items unique to the departments functions that are purchased via the warehouse for department employees

# Dept Of Fish, Wildlife & Parks-5201
# Administration & Finance Div.-01

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06501 | FWP Office Supply | 52010 | Dept. of Fish, Wildlife & Parks | Administration |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Duplicating Revenue | - | - | - | 78,000 | 79,000 | 80,000 |
| Net Fee Revenue | 73,958 | 80,371 | 76,851 | 78,000 | 79,000 | 80,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | - | - | - | - | - | - |
| Total Operating Revenues | 73,958 | 80,371 | 76,851 | 78,000 | 79,000 | 80,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 73,958 | 80,371 | 76,851 | 78,000 | 79,000 | 80,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 27,140 | 26,070 | 26,158 | 27,638 | 27,834 | 27,777 |
| Other Operating Expenses | 33,069 | 55,493 | 49,973 | 55,493 | 56,603 | 57,735 |
| Miscellaneous, operating | - | 11 | 50 | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 60,209 | 81,574 | 76,181 | 83,131 | 84,437 | 85,512 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 60,209 | 81,574 | 76,181 | 83,131 | 84,437 | 85,512 |
| Operating Income (Loss) | **13,749** | **(1,203)** | **670** | **(5,131)** | **(5,437)** | **(5,512)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | 13,749 | (1,203) | 670 | (5,131) | (5,437) | (5,512) |
| Contributed Capital | 25,000 | 25,000 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 10,073 | 23,822 | 47,619 | 48,289 | 43,158 | 37,721 |
| Net Income (Loss) | 38,749 | 23,797 | 670 | (5,131) | (5,437) | (5,512) |
| Reserve for Equipment | 17,730 | 15,370 | 13,000 | 10,635 | 8,270 | 5,990 |
| Reserve for Inventory | 16,360 | 14,610 | 11,615 | 13,000 | 14,500 | 16,000 |
| Unreserved Earnings/Fund Balances - June 30 | **14,732** | **17,639** | **23,674** | **19,523** | **14,951** | **10,219** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 10,035 | 13,596 | 12,697 | 13,855 | 14,073 | 14,252 |

# Dept Of Fish, Wildlife & Parks-5201
# Administration & Finance Div.-01

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06502 | FWP Equipment | 52010 | Dept. of Fish, Wildlife & Parks | Administration |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Revenue from vehicle fees | - | - | - | 1,744,742 | 1,866,874 | 1,922,880 |
| Revenue from aircraft fees | - | - | - | 233,049 | 244,701 | 256,936 |
| Net Fee Revenue | 1,263,939 | 1,440,344 | 1,739,119 | 1,977,791 | 2,111,575 | 2,179,816 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 1 | 17,306 | 209,470 | - | - | - |
| Total Operating Revenues | 1,263,940 | 1,457,650 | 1,948,589 | 1,977,791 | 2,111,575 | 2,179,816 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 1,263,940 | 1,457,650 | 1,948,589 | 1,977,791 | 2,111,575 | 2,179,816 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 57,638 | 64,049 | 73,213 | 69,117 | 73,031 | 72,910 |
| Other Operating Expenses | 1,552,289 | 2,113,551 | 1,655,544 | 1,827,703 | 1,942,458 | 2,029,713 |
| Miscellaneous, operating | 11,928 | 7,623 | 8,232 | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 1,621,855 | 2,185,223 | 1,736,989 | 1,896,820 | 2,015,489 | 2,102,623 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 1,621,855 | 2,185,223 | 1,736,989 | 1,896,820 | 2,015,489 | 2,102,623 |
| Operating Income (Loss) | **(357,915)** | **(727,573)** | **211,600** | **80,971** | **96,086** | **77,193** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | (95,061) | (185,030) | (192,594) | (180,000) | (160,000) | (140,000) |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | (95,061) | (185,030) | (192,594) | (180,000) | (160,000) | (140,000) |
| Income (Loss) Before Operating Transfers | (452,976) | (912,603) | 19,006 | (99,029) | (63,914) | (62,807) |
| Contributed Capital | 2,381,987 | 2,381,987 | - | - | - | - |
| Operating Transfers In (Note 13) | 255,438 | 222,722 | 240,356 | 220,000 | 220,000 | 220,000 |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 4,435,311 | 4,264,529 | 5,956,635 | 6,215,997 | 6,336,968 | 6,493,054 |
| Net Income (Loss) | (197,538) | (689,881) | 259,362 | 120,971 | 156,086 | 157,193 |
| Reserved for Equipment | 6,538,585 | 6,082,352 | 6,337,279 | 6,357,279 | 6,402,279 | 6,432,279 |
| Unreserved Retained Earnings/Fund Balances - June 30 | **81,175** | **(125,717)** | **(121,282)** | **(20,311)** | **90,775** | **217,968** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 270,309 | 364,204 | 289,498 | 316,137 | 335,915 | 350,437 |

# Dept Of Fish, Wildlife & Parks-5201
# Field Services Division-02

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Operating Expenses | 211,121 | 20,939 | 0 | 232,060 | 22,754 | 0 | 233,875 |
| Equipment | 16,076 | 43,715 | 0 | 59,791 | 43,715 | 0 | 59,791 |
| **Total Costs** | **$227,197** | **$64,654** | **$0** | **$291,851** | **$66,469** | **$0** | **$293,666** |
| Proprietary | 227,197 | 64,654 | 0 | 291,851 | 66,469 | 0 | 293,666 |
| **Total Funds** | **$227,197** | **$64,654** | **$0** | **$291,851** | **$66,469** | **$0** | **$293,666** |

**Please note that a HB 2 section exists for this program.**

## -------------------------------- Present Law Adjustments --------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $43,715 | FY04 | $0 |
| FY05 | $43,715 | FY05 | $0 |

**PL- 215 - Aircraft Operations -**
Restore operations budget for aircraft to previous level.

# Dept. Of Fish, Wildlife, and Parks-5201
# Parks Division 06

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 6.06 | 0.00 | 0.00 | 6.06 | 0.00 | 0.00 | 6.06 |
| Personal Services | 156,750 | 22,462 | 0 | 179,212 | 22,614 | 0 | 179,364 |
| Operating Expenses | 191,163 | 901 | 0 | 192,064 | 1,603 | 0 | 192,766 |
| Equipment | 9,206 | 0 | 0 | 9,206 | 0 | 0 | 9,206 |
| **Total Costs** | **$357,119** | **$23,363** | **$0** | **$380,482** | **$24,217** | **$0** | **$381,336** |
| State/Other Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proprietary | 357,119 | 23,363 | 0 | 380,482 | 24,217 | 0 | 381,336 |
| **Total Funds** | **$357,119** | **$23,363** | **$0** | **$380,482** | **$24,217** | **$0** | **$381,336** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** The Parks Division of Montana Fish, Wildlife and Parks is responsible for the state Capitol Complex Grounds Maintenance program. The department funds the program through the capitol grounds proprietary account (Fund 06541). Direct costs of the program are accounted for in SABHRS organizations 6391, 6392 and 6393. Indirect costs are charged to the grounds maintenance program and accounted for in SABHRS organization 6399. Indirect costs are recovered through assessment of an indirect cost rate on actual program expenditures of the previous period.

The total annual cost of the capitol grounds maintenance program is allocated to state agencies based on each agency's share of the total square footage of office space on the Capitol Complex, which is rented from Department of Administration, General Services Division.

**Enterprise Fund**
Section 23-1-105 (5), MCA, authorizes Parks Division of Montana Fish, Wildlife and Parks to establish an enterprise fund (fund 06068) for the purpose of managing state park visitor services revenue. The fund is used by the department to provide inventory through purchase, production, or donation and for the sale of educational, commemorative, and interpretive merchandise and other related goods and services at department sites and facilities.

The fund was established primarily to better manage parks visitor centers that sell books at parks like Ulm Pishkun, Makoshika and Chief Plenty Coups as well as parks that sell items like firewood. Monies generated go back into the purchase of inventory and also the improvement of visitor services in state parks and FWP overall.

In FY 2002 this fund accounted for the following monies: $15,000 of contributed capital, $66,008 of earned revenue, $51,813 of receipts and a balance of funds in the amount of $29,087.

**Grounds Maintenance - Revenues and Expenses**
There are no changes proposed in the provision of services. An increase of $0.01 cents per square foot is proposed for the 2003 biennium. On an annual basis, revenues and expenses are reviewed to ensure costs are commensurate with the fees charged agencies. Surplus cash may occur during years when the weather is favorable for maintenance and snow removal. Accumulated cash balances from previous periods are used to calculate rates for future periods. A total of 6.06 FTE are funded in this program.

**Working Capital**
The 60-day working capital requirement provides sufficient cash to fund on-going operations of the program.

On a biennial basis, program costs are reviewed to ensure fees charged to agencies are commensurate with program costs. Each biennium, the account is analyzed to determine if ending cash balances are long or short relative to program working capital requirements. Calculation of rates for future periods can be affected by ending cash balances.

# Dept. Of Fish, Wildlife, and Parks-5201
# Parks Division 06

**Fund Equity**
Fund balance is reserved for reverted appropriations from the previous period.

**Cash Flow**
Agencies are billed quarterly for grounds maintenance and snow removal. Cash balances fluctuate during the year relative to the season and weather conditions. Generally, cash balances are lowest in the first and last quarter of each fiscal year. This is during the busy summer months of lawn and landscape maintenance and during the start up season in the spring. During years of heavy and or frequent snowfall, cash balances can become low in the second and third quarters.

**Enterprise Fund**
**Revenues and Expenses**
Revenues are generated by the sales of merchandise at park visitor centers and regional offices.

The expenses associated with the enterprise fund include office supplies, merchandising materials and the purchase of inventory to replenish stock.

**Working Capital**
As the program develops, the 60-day working capital requirement will provide sufficient cash to fund on-going operations of the program.

**Fund Equity**
As the program continues to develop, a portion of the fund balance will be reserved for the inventory.

**Cash Flow**
In the first year of operation the fund cash balances were highest in the winter after the parks season ended and lowest in the spring when stock was replenished.

**Rate Explanation -Grounds Maintenance**
Capitol grounds unit of service is the grounds maintenance and snow removal on the Capitol Complex. The unit price is the total annual revenue of the program divided by the total square footage of rented office space on the Capitol Complex. Square footage of rented office space on the Capitol Complex for the 2005 biennium is provided by General Services Division and used in these calculations. The summary of costs billed to agencies and per unit costs for FY 1998 - FY 2005 are as follows:

| | FY 1998 | FY 1999 | FY2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|---|---|---|---|---|---|---|---|---|
| Revenue | $297,349 | $298,562 | $296,112 | $296,000 | $319,189 | $319,189 | $326,374 | $326,374 |
| Per Sq. Ft. | $0.3446 | $0.3446 | $0.3446 | $0.3446 | $0.3696 | $0.3696 | $0.3796 | $0.3796 |

An increase in the rate of $.01 cents for the 2005 biennium is proposed in order to maintain the current level of service. The program is absorbing the annualization of the 2001 session payplan, insurance increases and other costs.

**Enterprise Fund - Rate Explanation**
The enterprise fund applies a markup rate of no less that 40 percent on goods purchased for resale to ensure sufficient revenues to replenish stock.

# Dept. Of Fish, Wildlife, and Parks-5201
# Parks Division 06

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 6541 | Grounds Maintenance | 52010 | Dept. of Fish, Wildlife, and Parks | Parks |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Net Fee Revenue | 296,113 | 278,710 | 332,620 | 307,608 | 326,374 | 326,374 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 11 | 311 | 14 | - | - | - |
| Total Operating Revenues | 296,124 | 279,021 | 332,634 | 307,608 | 326,374 | 326,374 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 296,124 | 279,021 | 332,634 | 307,608 | 326,374 | 326,374 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 144,010 | 148,827 | 169,499 | 182,007 | 183,827 | 185,665 |
| Other Operating Expenses | 162,775 | 148,808 | 152,821 | 149,756 | 146,542 | 142,929 |
| Miscellaneous, operating | - | - | - | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 306,785 | 297,635 | 322,320 | 331,763 | 330,369 | 328,594 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 306,785 | 297,635 | 322,320 | 331,763 | 330,369 | 328,594 |
| Operating Income (Loss) | **(10,661)** | **(18,614)** | **10,314** | **(24,155)** | **(3,995)** | **(2,220)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | (10,661) | (18,614) | 10,314 | (24,155) | (3,995) | (2,220) |
| Contributed Capital* | 4,587 | 4,587 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 83,633 | 77,559 | 68,294 | 78,608 | 54,453 | 50,458 |
| Net Income (Loss) | (6,074) | (14,027) | 10,314 | (24,155) | (3,995) | (2,220) |
| Retained Earnings/Fund Balances - June 30 | **77,559** | **63,532** | **78,608** | **54,453** | **50,458** | **48,238** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 51,131 | 49,606 | 53,720 | 55,294 | 55,062 | 54,766 |

*Contributed capital was closed into fund balance at FYE01

Fee/Rate Information for Legislative Action.

Requested Rates for Internal Service Funds

| | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
|---|---|---|---|---|---|---|
| Grounds Maintenance (per sq. ft.) | 0.3446 | 0.3446 | 0.3696 | 0.3696 | 0.3796 | 0.3796 |

# Dept. Of Fish, Wildlife, and Parks-5201
# Parks Division 06

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06068 | FWP Visitor Services | 52010 | Dept. of Fish, Wildlife & Parks | Parks |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Net Fee Revenue | | | 65,647 | 66,960 | 68,299 | 69,665 |
| Investment Earnings | | | 360 | 300 | 300 | 300 |
| Securities Lending Income | | | 6 | 6 | 6 | 6 |
| Premiums | | | - | - | - | - |
| Other Operating Revenues | | | | - | - | - |
| Total Operating Revenues | | | 66,013 | 67,266 | 68,605 | 69,971 |
| Intrafund Revenue | | | - | - | - | - |
| Net Operating Revenues | - | - | 66,013 | 67,266 | 68,605 | 69,971 |
| **Operating Expenses:** | | | | | | |
| Personal Services | | | - | - | - | - |
| Other Operating Expenses | | | | | | |
| Miscellaneous, operating | | | 51,813 | 58,000 | 60,320 | 62,733 |
| Miscellaneous, other | | | - | - | - | - |
| Total Operating Expenses | | | 51,813 | 58,000 | 60,320 | 62,733 |
| Intrafund Expense | | | - | - | - | - |
| Net Operating Expenses | - | - | 51,813 | 58,000 | 60,320 | 62,733 |
| Operating Income (Loss) | | | **14,200** | **9,266** | **8,285** | **7,238** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | | | - | - | - | - |
| Federal Indirect Cost Recoveries | | | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | | | | | | |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | | | 14,200 | 9,266 | 8,285 | 7,238 |
| Capital Contribution | | | - | - | - | - |
| Operating Transfers In (Note 13) | | | 15,000 | - | - | - |
| Operating Transfers Out (Note 13) | | | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | | | - | 29,200 | 39,512 | 58,007 |
| Net Income (Loss) | - | - | 29,200 | 9,266 | 8,285 | 7,238 |
| Retained Earnings/Fund Balances - June 30 | - | - | **29,200** | **38,466** | **47,797** | **65,245** |
| 60 days of expenses (Total Operating Expenses divided by 6) | - | - | 8,636 | 9,667 | 10,053 | 10,455 |

Fee/Rate Information for Legislative Action:

Requested Rates for Internal Service Funds

The enterprise fund applies a markup rate of no less that 40% on goods purchased for resale to ensure sufficient revenues to replenish stock. The source of authority is MCA 23-1-105.

# Dept. Of Environmental Quality-5301
# Central Management Program-10

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 50.50 | 0.00 | 1.00 | 51.50 | 0.00 | 1.00 | 51.50 |
| Personal Services | 2,012,983 | 424,134 | 40,633 | 2,477,750 | 422,630 | 40,513 | 2,476,126 |
| Operating Expenses | 1,012,072 | 522,930 | 6,780 | 1,541,782 | 350,652 | 6,780 | 1,369,504 |
| Equipment | 46,914 | 0 | 0 | 46,914 | 0 | 0 | 46,914 |
| **Total Costs** | **$3,071,969** | **$947,064** | **$47,413** | **$4,066,446** | **$773,282** | **$47,293** | **$3,892,544** |
| Proprietary | 3,071,969 | 947,064 | 47,413 | 4,066,446 | 773,282 | 47,293 | 3,892,544 |
| **Total Funds** | **$3,071,969** | **$947,064** | **$47,413** | **$4,066,446** | **$773,282** | **$47,293** | **$3,892,544** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** The Central Management Program consists of the Director's Office, a Financial Services Office, and an Information Technology Office. It is the organizational component of the agency that is responsible and accountable for the administration, management, planning, and evaluation of agency performance in carrying out department mission and statutory responsibilities. The Director's Office includes the director's staff, the deputy director, an administrative officer, public information officer, a centralized legal services unit, and a centralized personnel office. The Financial Services Office provides budgeting, accounting, payroll, procurement and contract management support to other divisions. The Information Technology Office provides information technology services support to other divisions.

The centralized Legal Services Unit has 3.00 FTE that are funded by the internal service fund, two attorneys and one paralegal. This staff provides the administration, management and planning for the Legal Services Unit, and specific duties for department programs, including legislation, rule making, enforcement actions and contract review. The remainder of this unit is funded by direct charges to the programs and projects requiring the legal work.

Customers are all divisions and employees of the Department of Environmental Quality. Use of these services is mandated by agency policies and procedures. There are no alternative sources for the Central Management Program as a whole. The department contracts for legal services whenever it is cost effective to do so; to obtain specific expertise for a case; or when legal jurisdiction of the case requires an attorney licensed in that state. The department contracts for information technology database development and for hosting of the department's enterprise database.

**Revenues and Expenses -**
Revenue Description: The department has one proprietary fund, which is an internal service fund used to account for the department's indirect cost activity. The department anticipates negotiating an indirect cost rate with the U.S. Environmental Protection Agency (EPA) of approximately 23 percent in FY 2004 and FY 2005. Revenues generated by the current indirect cost rate fund 50.50 FTE.

Central Management Program provides the services presented in the program description. The cost of providing support services is directly related to the number of staff served. The department negotiates an indirect rate with EPA based on that computation annually. Adjustments for over-recovery and under-recovery in the previous year are made to the calculations each year. EPA and DEQ agree to the services that are included in the indirect calculation. Funding is collected from all non-proprietary sources expended within the department. FY 2002 collections were: $462,818 in general fund, $1,396,273 in state special revenue and $1,255,469 in federal revenue. Expenditures are recorded in 62827. Revenues are recorded in 520501 and 584020.

Expense Description: The major cost drivers within this program are personal services costs and fixed costs. Additional costs for overtime are incurred when workload changes, such as the special legislative session, and increased monitoring and oversight of budgets due to revenue shortfalls. Fixed costs, especially tort liability coverage, continue to be a significant cost increase to the proprietary fund. The cost of providing support services is directly related to the

number of staff served; therefore, future expenses are determined by projecting increases or decreases in program staff. Non-typical and one-time expenses are backed out of the cost of providing services before calculating the indirect rate. Salaries are constant throughout the fiscal year, except during fiscal year end, executive budget preparation and legislative session. Supplies are purchased on an as needed basis, except during peak times noted above. The indirect rate proposed to the Legislature will fund 51.50 FTE.

**Working Capital**
The objective of program management is to recover costs to fund necessary, ongoing operation of the Central Management Program. The program has no requirement to reserve an excess fund balance. The fund normally carries a 60-day working capital to meet its immediate cash needs for covering payroll and various operating costs

**Fund Equity**
The department does not reserve a fund balance on the accounting records nor does it try to maintain a fund balance. The revenues generated should be enough to cover the current year's operations. However, due to timing factors, the fund balance does not always equal zero.

**Rate Explanation -**
The department negotiates an annual indirect cost rate with EPA. The approved rate is a fixed rate. This rate is applied against personal services, temporary services and work-study contracts charged within each division of the department, other than the Central Management Program.

The department is requesting a decrease in its indirect cost rate from 24 percent approved in the last legislative session to 23 percent. The rate negotiated with EPA requires a carry-forward amount be built into the rate. This carry-forward amount represents the amount the department either under-recovered or over-recovered in a given year. This computation compares what was initially negotiated versus what actually occurred. The difference is then carried forward into the following year's rate.

The department's indirect cost rate is determined based on guidelines prescribed by the federal government. In addition, the department complies with 17-3-111, MCA, which requires agencies to negotiate a rate that would recover indirect costs to the fullest extent possible. In order to comply with this law, the department has requested a rate that may vary slightly from the rate the department actually negotiates with EPA. The rate approved by the Legislature is considered a cap; and therefore, the department cannot negotiate for a rate higher than what has been approved by the Legislature. However, the rate negotiated with EPA may be slightly lower.

## ------------------------------- Present Law Adjustments -------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $243,441 | FY04 | $0 |
| FY05 | $243,441 | FY05 | $0 |

**PL- 2 - CMP - Base Adjustments -**
The executive is requesting $243,441 proprietary funds in the 2005 biennium. Due to staff vacancies, the program did not enter into information technology contracts in the base year.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $100,000 | FY04 | $0 |
| FY05 | $25,000 | FY05 | $0 |

**PL- 67 - CMP - Data Migration, Report Writing & Hosting -**
The department is requesting $100,000 in FY 2004 to complete outstanding database development for the DEQ Enterprise Database. These funds will be used to move existing data into the new database and to write reports for staff and managers with information from the system. DEQ requests $25,000 each fiscal year for ITSD hosting the production Oracle database.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $50,000 | FY04 | $0 |
| FY05 | $10,000 | FY05 | $0 |

**PL- 72 - CMP - Database Development -**
DEQ programs are funded with a variety of state special revenue accounts and numerous federal grants that require state funds for matching. Currently one IT staff member has spent 40 hours setting up Excel spreadsheets that are more suitable to an Access database. This will continue to require at least 10 hours of IT staff time to summarize budget projections. It will also take 30 to 40 hours to set up the reports at the beginning of each fiscal year. The database will allow the budget analysts to focus their time on reviewing and analyzing the budget projections for their division.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | ($52,500) | FY04 | $0 |
| FY05 | ($52,500) | FY05 | $0 |

**PL- 89 - CMP - Alternative Payplan Adjustments -**
This is a reduction to the proprietary account in operating costs to cover the personal services cost of the alternative payplan for the central management program.

## ------------------------------------- New Proposals -------------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $47,413 | FY04 | $0 |
| FY05 | $47,293 | FY05 | $0 |

**NP- 56 - Personnel - New Safety FTE -**
Request to add 1.00 FTE and operating costs to the personnel unit. The duties would be 50 percent as safety coordinator and 50 percent as training officer.

# Dept. Of Environmental Quality-5301
# Central Management Program-10

**Report on Internal Service and Enterprise Funds, 2005 Biennium**

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06509 | DEQ Indirect Cost Pool | 53010 | Dept. of Environmental Quality | Management |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Revenue from State Services (520501) | - | - | - | 2,116,764 | 1,878,717 | 1,993,619 |
| Net Fee Revenue | 1,542,997 | 1,435,570 | 1,913,545 | 2,116,764 | 1,878,717 | 1,993,619 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 8,502 | 5,419 | 433 | - | - | - |
| Total Operating Revenues | 1,551,499 | 1,440,989 | 1,913,978 | 2,116,764 | 1,878,717 | 1,993,619 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 1,551,499 | 1,440,989 | 1,913,978 | 2,116,764 | 1,878,717 | 1,993,619 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 1,679,310 | 1,777,179 | 2,053,835 | 2,310,494 | 2,477,750 | 2,476,126 |
| Other Operating Expenses | 748,094 | 694,398 | 943,264 | 1,078,396 | 1,593,107 | 1,420,900 |
| Miscellaneous, operating | 39,698 | 43,606 | 44,171 | 0 | 0 | 0 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 2,467,102 | 2,515,183 | 3,041,270 | 3,388,890 | 4,070,857 | 3,897,026 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 2,467,102 | 2,515,183 | 3,041,270 | 3,388,890 | 4,070,857 | 3,897,026 |
| Operating Income (Loss) | **(915,603)** | **(1,074,194)** | **(1,127,292)** | **(1,272,126)** | **(2,192,140)** | **(1,903,407)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | (17,388) | - | - | - | - |
| Federal Indirect Cost Recoveries | 1,079,577 | 1,042,820 | 1,291,779 | 1,532,155 | 2,243,476 | 2,187,275 |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | 1,079,577 | 1,025,432 | 1,291,779 | 1,532,155 | 2,243,476 | 2,187,275 |
| Income (Loss) Before Operating Transfers | 163,974 | (48,762) | 164,487 | 260,029 | 51,336 | 283,868 |
| Contributed Capital | 270,708 | 270,708 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 15,918 | 180,488 | 402,434 | 566,921 | 826,950 | 878,286 |
| Net Income (Loss) | 434,682 | 221,946 | 164,487 | 260,029 | 51,336 | 283,868 |
| Retained Earnings/Fund Balances - June 30 | **450,600** | **402,434** | **566,921** | **826,950** | **878,286** | **1,162,154** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 411,184 | 419,197 | 506,878 | 564,815 | 678,476 | 649,504 |

| **Fee/Rate Information for Legislative Action:** | | | | --------Estimated-------- | | |
|---|---|---|---|---|---|---|
| Requested Rates for Internal Service Funds | 20.70% | 20.30% | 22.15% | 21.91% | 23.00% | 23.00% |

# Dept Nat Resource/Conservation-5706
# Forestry-35

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 5.80 | 0.00 | 0.00 | 5.80 | 0.00 | 0.00 | 5.80 |
| Personal Services | 318,078 | (13,788) | 0 | 304,290 | (11,909) | 0 | 306,169 |
| Operating Expenses | 545,520 | 20,483 | 0 | 566,003 | 23,053 | 0 | 568,573 |
| **Total Costs** | **$863,598** | **$6,695** | **$0** | **$870,293** | **$11,144** | **$0** | **$874,742** |
| Proprietary | 863,598 | 6,695 | 0 | 870,293 | 11,144 | 0 | 874,742 |
| **Total Funds** | **$863,598** | **$6,695** | **$0** | **$870,293** | **$11,144** | **$0** | **$874,742** |

**Please note that a HB 2 section exists for this program.**

**Program Description** -The air operations program in the Forestry Division is funded from the air operations proprietary account for those costs that can be supported by the aircraft rates charged to agencies that use the aircraft and general fund for fixed costs. The program operates three medium helicopters, two light helicopters, and three single engine fixed-wing airplanes. Aircraft are primarily used for fire detection, support and suppression of wildfires, and reclamation work in the Department of Environmental Quality. Fixed costs are paid by the general fund and fire protection tax revenue since they must be paid regardless of number of hours flown. These costs include hangar rent, insurance, and personnel costs. The general fund and fire protection taxes are appropriated by the Legislature and transferred to and spent from the proprietary account. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft. Users of the aircraft include DRNC, other state agencies, federal agencies, and the state's wildfire suppression efforts. This revenue is also deposited to the proprietary account.

**Revenues and Expenses** -
Base year funding: Customer payments are made up primarily of DNRC and the U.S. Forest service.
Expenses incurred by program: The cost drivers for the aircraft rates are to try and recover the actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready for the primary purpose of initial attacking wild fires on state and federal ground. This includes all costs associated in the operation and maintaining of that aircraft. There are some factors that contribute to the uncertainty in forecasting future expenses, including unforeseen events such as FAA and manufacturer directives, aircraft incidents resulting in unplanned maintenance and fluctuations in fuel and parts.

**Rate Explanation** -The reimbursement rates for the operation of the department aircraft are based on the time life of 5000 hours of aircraft usage. The rate has been determined to maintain the aircraft in its original condition. At the end of 5000 hours, all parts should have been replaced and a new maintenance / operation cycle started. The customer base is very specific and is made up of DNRC land managers and the U.S. Forest service. The aviation section provides aircraft for fire operations.

The aviation section uses this reimbursement rate strictly to maintain the aircraft in flyable condition. There is a need to maintain a fund balance due to the high price of aircraft parts. An engine for a Bell uh-1/h helicopter for example can cost upwards near $200,000. A rotor blade can cost $80,000. It is absolutely necessary to maintain a balance for unforeseen events such as a rotor blade strike or an engine failure. Also the FAA and the manufacturer can issue service and technical bulletins that mandate compliance to continue operation of that aircraft. These are all dynamics that require a balance be maintained to ensure continuity of the aviation program. The customer is billed at the fixed rate. This is based on the amount of hours and tenths of hours flown. All costs are direct and fixed. There are no indirect costs associated with the rates.

# Dept Nat Resource/Conservation-5706
# Forestry-35

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06538 | Aircraft Operation | 57060 | Dept. of Natural Resources & Conservation | Forestry |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Accomodation Tax | 162.34 | | | - | - | - |
| Cessna | 38932.35 | 66654 | 20368 | 22,105 | 52,725 | 52,725 |
| Jet Ranger 206 | 72760.5 | 143373.34 | 68486 | 32,310 | 127,800 | 127,800 |
| UH-1 Huey | 290870 | 523685 | 342475 | 244,929 | 315,000 | 315,000 |
| Net Fee Revenue | 396,008 | 758,140 | 445,275 | 299,344 | 495,525 | 495,525 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 162 | - | - | - | - | - |
| Total Operating Revenues | 396,170 | 758,140 | 445,275 | 299,344 | 495,525 | 495,525 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 396,170 | 758,140 | 445,275 | 299,344 | 495,525 | 495,525 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 259,680 | 266,723 | 332,917 | 353,151 | 304,290 | 306,169 |
| Other Operating Expenses | 662,833 | 755,695 | 534,095 | 494,987 | 566,003 | 568,573 |
| Miscellaneous, operating | 10,355 | 6,707 | 4,752 | 10,226 | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 932,868 | 1,029,125 | 871,764 | 858,364 | 870,293 | 874,742 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 932,868 | 1,029,125 | 871,764 | 858,364 | 870,293 | 874,742 |
| Operating Income (Loss) | **(536,698)** | **(270,985)** | **(426,489)** | **(559,020)** | **(374,768)** | **(379,217)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | (536,698) | (270,985) | (426,489) | (559,020) | (374,768) | (379,217) |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | 355,419 | 355,419 | 389,169 | 389,169 | 398,339 | 398,339 |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 322,076 | 140,797 | 225,231 | 187,911 | 18,060 | 41,631 |
| Net Income (Loss) | (181,279) | 84,434 | (37,320) | (169,851) | 23,571 | 19,122 |
| Retained Earnings/Fund Balances - June 30 | **140,797** | **225,231** | **187,911** | **18,060** | **41,631** | **60,753** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 155,478 | 171,521 | 145,294 | 143,061 | 145,049 | 145,790 |

**Requested Rates for Internal Service Funds**
**Fee / Rate Information for Legislative Action:**

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ------Requested------ FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Fee Group A | | | | | | | |
| Cessna Aircraft | 90 | 90 | 95 | 95 | 95 | 95 | MCA 17-8-101 |
| Bell 206 Helicopter | 345 | 345 | 355 | 355 | 355 | 355 | MCA 17-8-101 |
| UH-1 Helicopter | 850 | 850 | 875 | 875 | 875 | 875 | MCA 17-8-101 |

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Personal Services | 3,317 | (106) | 0 | 3,211 | (106) | 0 | 3,211 |
| Operating Expenses | 714 | 893 | 0 | 1,607 | 893 | 0 | 1,607 |
| **Total Costs** | **$4,031** | **$787** | **$0** | **$4,818** | **$787** | **$0** | **$4,818** |
| Proprietary | 4,031 | 787 | 0 | 4,818 | 787 | 0 | 4,818 |
| **Total Funds** | **$4,031** | **$787** | **$0** | **$4,818** | **$787** | **$0** | **$4,818** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** The Alfalfa Leaf-cutting Bee Program (fund 06011) was established in 1981 by Title 80, Chapter 6, part 11, MCA. The Alfalfa Seed Committee establishes standards for pathogens and parasites, certification of bees, and management of the program in cooperation with the department. Department personnel perform field and laboratory duties for the committee.

**Revenues and Expenses -** Alfalfa leaf-cutting bee account revenues are received from laboratory analyses for pathogens in larva and the determination of sex ratios. Expenditures include laboratory costs and committee members' per diem. There are no FTE funded in this program; however, there are usually overtime payments to the entomologist to pay for the laboratory analyses performed. There is a $15 registration fee for alfalfa leafcutting bee owners that is paid once. There is a $30 certification fee per sample for certifying samples. There is a $30 fee for sample analysis per sample and, if requested, an additional fee of $20 for sex ratio and percent emergence.

**Rate Explanation -** Fees are charged for certification and registration of Alfalfa Leafcutter bees in Montana and for laboratory expenses. The fees charged are set by rule. Rates are $30 for a minor A license and $15 for a minor B license.

## -------------------------------- Present Law Adjustments --------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $4,102 | FY04 | $0 |
| FY05 | $4,102 | FY05 | $0 |

**PL- 16 - Alfalfa Leafcutter Bee Service Fees -**
Restore authority to pay the zero-based overtime and per diem expenses and to pay operational costs to analyze leafcutter bee samples for pathogens, parasites and larva count.

# Department Of Agriculture-6201
# Agricultural Sciences Div.-30

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06011 | Dept Of Agriculture | 62010 | Dept. of Agriculture | Agricultural Sciences |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Net Fee Revenue | 4,270 | 3,280 | 1,830 | 4,300 | 4,300 | 4,300 |
| Investment Earnings | 422 | 456 | 203 | - | - | - |
| Securities Lending Income | 20 | 3 | 4 | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 2 | 1 | - | - | - | - |
| Total Operating Revenues | 4,714 | 3,740 | 2,037 | 4,300 | 4,300 | 4,300 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 4,714 | 3,740 | 2,037 | 4,300 | 4,300 | 4,300 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 2,998 | 4,040 | 3,138 | 3,211 | 3,211 | 3,211 |
| Other Operating Expenses | 936 | 844 | 704 | 1,612 | 1,607 | 1,607 |
| Miscellaneous, operating | 19 | 14 | 7 | - | - | - |
| Miscellaneous. other | - | - | - | - | - | - |
| Total Operating Expenses | 3,953 | 4,898 | 3,849 | 4,823 | 4,818 | 4,818 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 3,953 | 4,898 | 3,849 | 4,823 | 4,818 | 4,818 |
| Operating Income (Loss) | **761** | **(1,158)** | **(1,812)** | **(523)** | **(518)** | **(518)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | 761 | (1,158) | (1,812) | (523) | (518) | (518) |
| Contributed Capital | 186,149 | 186,149 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | (177,409) | (176,648) | 8,343 | 6,531 | 6,008 | 5,490 |
| Net Income (Loss) | 186,910 | 184,991 | (1,812) | (523) | (518) | (518) |
| Retained Earnings/Fund Balances - June 30 | **9,501** | **8,343** | **6,531** | **6,008** | **5,490** | **4,972** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 659 | 816 | 642 | 804 | 803 | 803 |

**Requested Rates for Enterprise Funds**
**Fee / Rate Information:**

| | FYE 00 | Budgeted FYE 01 | FYE 02 | FY 03 | ------Requested------ FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Registrations | $15 | $15 | $15 | $15 | $15 | $15 | MCA 80-6-1111 |
| Certified samples | $30 | $30 | $30 | $30 | $30 | $30 | MCA 80-6-1105 |
| Sample analysis | $30 | $30 | $30 | $30 | $30 | $30 | MCA 80-6-1105 |
| Sex Ratio | $20 | $20 | $20 | $20 | $20 | $20 | MCA 80-6-1105 |

The Alfalfa Leaf-cutting Bee Program was established in 1981. The Alfalfa Seed Committee establishes standards for pathogens and parasites, certification of bees, and management of the program in cooperation with the department. Department personnel perform field and laboratory duties for the committee. The rates charged are set by rule in accordance with 80-6-1109, MCA.

# Department Of Agriculture-6201
# Agricultural Sciences Div.-30

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06052 | Hail Insurance | 62010 | Dept. of Agriculture | Agriculture Development Division |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Net Fee Revenue | - | - | - | - | - | - |
| Investment Earnings | 301,916 | 375,686 | 136,123 | 150,000 | 150,000 | 150,000 |
| Securities Lending Income | 301,916 | 21,170 | 2,453 | 2,500 | 2,500 | 2,500 |
| Premiums | 2,602,595 | 2,760,342 | 296,708 | 500,000 | 500,000 | 500,000 |
| Other Operating Revenues | (215,372) | 4,532 | 3,977 | 4,000 | 4,000 | 4,000 |
| Total Operating Revenues | 2,991,055 | 3,161,730 | 439,261 | 656,500 | 656,500 | 656,500 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 2,991,055 | 3,161,730 | 439,261 | 656,500 | 656,500 | 656,500 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 200,407 | 172,910 | 182,717 | 170,757 | 189,622 | 187,105 |
| Other Operating Expenses | 2,733,539 | 3,007,331 | 1,852,023 | 1,219,876 | 1,200,000 | 1,200,000 |
| Miscellaneous, operating | 8,361 | 10,539 | 9,966 | 84,347 | 76,638 | 78,468 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 2,942,307 | 3,190,780 | 2,044,706 | 1,474,980 | 1,466,260 | 1,465,573 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 2,942,307 | 3,190,780 | 2,044,706 | 1,474,980 | 1,466,260 | 1,465,573 |
| Operating Income (Loss) | **48,748** | **(29,050)** | **(1,605,445)** | **(818,480)** | **(809,760)** | **(809,073)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | 48,748 | (29,050) | (1,605,445) | (818,480) | (809,760) | (809,073) |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | (26,226) | (5,992) | (42,254) | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 6,449,789 | 6,472,311 | 6,437,269 | 4,789,570 | 3,971,090 | 3,161,330 |
| Net Income (Loss) | 22,522 | (35,042) | (1,647,699) | (818,480) | (809,760) | (809,073) |
| Retained Earnings/Fund Balances - June 30 | **6,472,311** | **6,437,269** | **4,789,570** | **3,971,090** | **3,161,330** | **2,352,257** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 490,385 | 531,797 | 340,784 | 245,830 | 244,377 | 244,262 |

**Requested Rates for Enterprise Funds**
**Fee / Rate Information for Legislative Action**

AUTHORITY
MCA 80-2-221

Fee Group A

Note: Rates are set by the Board of Hail Insurance and vary by county.

The Hail Insurance program has been in operation since 1917. The function of the program is to provide low cost hail insurance coverage for any crop grown in Montana to assist producers in recovering their input costs should there be hail damage. The program insures approximately 1.4 million acres of crops with coverage exceeding $30 million each year.

# Department Of Commerce-6501
# Facility Finance Authority-71

**71 Facility Finance Authority**
**Michelle Bastad 444-0259**

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 2.00 | 0.00 | 0.00 | 2.00 | 0.00 | 0.00 | 2.00 |
| Personal Services | 135,409 | (15,241) | 0 | 120,168 | (15,522) | 0 | 119,887 |
| Operating Expenses | 100,429 | 5,841 | 0 | 106,270 | (2,182) | 0 | 98,247 |
| Grants | 33,880 | 1,120 | 0 | 35,000 | 1,120 | 0 | 35,000 |
| **Total Costs** | **$269,718** | **($8,280)** | **$0** | **$261,438** | **($16,584)** | **$0** | **$253,134** |
| Proprietary | 269,718 | (8,280) | 0 | 261,438 | (16,584) | 0 | 253,134 |
| **Total Funds** | **$269,718** | **($8,280)** | **$0** | **$261,438** | **($16,584)** | **$0** | **$253,134** |

**Please note that a HB 2 section exists for this program.**

**Program Description** -The Facility Finance Authority was created by the 1983 Legislature and is governed by a seven-member quasi-judicial board. The Governor, with the advice and consent of the Senate, appoints the board members to four-year terms. The purpose of the authority is to assist health care and health care related facilities in containing future health care costs by offering debt financing or refinancing at low-cost, tax-exempt interest rates for buildings and capital equipment. These cost savings are shared with the health care consumer in the form of lower health facility fees. The Legislature extended eligible facilities to include community pre-release centers.

**Revenues and Expenses -**
(1) Change in Services or Fees: The authority has gradually reduced its application and annual administrative fee assessments contingent upon its business volume.

(2) Working Capital Discussion: The 60 day Working Capital Calculation is not reasonably applicable to the authority because the national bond rating agencies, national bond insurers and institutional investors expect the authority to reserve two years operating capital (approximately $485,000) to assure them that the authority can financially operate between legislative sessions.

(3) Fund Equity and Reserved Fund Balance: The Total Fund Equity requirement for FY 2004 ($4,885,000) is derived from the authority program reserve mandates as follows:

A. Biennium Working Capital Reserve=$485,000
B. Capital Reserve Account (Loan Loss Reserve)=$3,750,000
C. Facility Direct Loan Program Reserve=$650,000

(4) Cash Flow Discussion: The authority has gradually reduced its application and annual administrative fee assessments contingent upon its business volume. However, it continues to carry a two-year working capital reserve in order to respond to the forecasted extraordinary expenses and requirements.

## -------------------------------- Present Law Adjustments -------------------------------

| | Total Agency Impact | | General Fund Total | |
|---|---|---|---|---|
| | FY04 | $2,939 | FY04 | $0 |
| | FY05 | $3,184 | FY05 | $0 |

**PL- 16 - Administrative Cost Adjustments HB 576 -**

One-time moving costs are deleted from the base, offset by inclusion of zero-based board per diem and overtime, as well as the rent adjustment for the new location and the indirect charges required by state law adopted in the special session.

# Department Of Commerce-6501
# Facility Finance Authority-71

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06012 | Facilities Finance Loan Program | 65010 | Dept. of Commerce | MT Facilities Finance Authority |
| 06015 | Facilities Finance Authority | 65010 | Dept. of Commerce | MT Facilities Finance Authority |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Fee Revenues | - | - | - | 258,000 | 258,000 | 258,000 |
| Net Fee Revenue | 282,493 | 265,863 | 256,489 | 258,000 | 258,000 | 258,000 |
| Investment Earnings | 95,806 | 138,445 | 69,080 | 81,150 | 81,150 | 81,150 |
| Securities Lending Income | 40,210 | 13,288 | 824 | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 131 | - | - | - | - | - |
| Total Operating Revenues | 418,640 | 417,596 | 326,393 | 339,150 | 339,150 | 339,150 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 418,640 | 417,596 | 326,393 | 339,150 | 339,150 | 339,150 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 110,521 | 109,930 | 122,677 | 127,769 | 120,168 | 119,887 |
| Other Operating Expenses | 122,080 | 90,537 | 98,277 | 140,012 | 141,386 | 133,371 |
| Miscellaneous, operating | 19,425 | 18,497 | 30,504 | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 252,026 | 218,964 | 251,458 | 267,781 | 261,554 | 253,258 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 252,026 | 218,964 | 251,458 | 267,781 | 261,554 | 253,258 |
| Operating Income (Loss) | **166,614** | **198,632** | **74,935** | **71,369** | **77,596** | **85,892** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | 200 | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | 200 | - | - | - |
| Income (Loss) Before Operating Transfers | 166,614 | 198,632 | 75,135 | 71,369 | 77,596 | 85,892 |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 1,773,580 | 1,940,194 | 2,138,826 | 2,213,961 | 2,285,330 | 2,362,926 |
| Net Income (Loss) | 166,614 | 198,632 | 75,135 | 71,369 | 77,596 | 85,892 |
| Retained Earnings/Fund Balances - June 30 | **1,940,194** | **2,138,826** | **2,213,961** | **2,285,330** | **2,362,926** | **2,448,818** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 42,004 | 36,494 | 41,910 | 44,630 | 43,592 | 42,210 |

**Requested Rates for Enterprise Funds**
**Fee/ Rate Information:**

| Loan Amount | Initial Fee ($) | Annual Fee (Maximum $6,000 Single Facility $50,000 Maximum Multi Facility) |
|---|---|---|
| | $500 - $5,000 | Up to .15% of outstanding loan amount |
| | $2,500 - $15,000 | Up to .15% of outstanding loan amount |
| | $10,000 - $40,000 | Up to .15% of outstanding loan amount |
| | $50,000 Max | Up to .15% of outstanding loan amount. |

**Total Fund Equity Requirement = $5,000,000**
*Loan Loss Reserves, Direct Loan Reserves, and Working Capital Reserve

Fee Revenues: MCA 90-7-202 and MCA 90-7-211
Investment Earnings: MCA 90-7-202

# Department Of Commerce-6501
# Housing Division-74

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 18.30 | 0.00 | 19.50 | 37.80 | 0.00 | 19.50 | 37.80 |
| Personal Services | 668,373 | 145,876 | 789,084 | 1,603,333 | 147,221 | 789,428 | 1,605,022 |
| Operating Expenses | 1,194,922 | 727,079 | 729,018 | 2,651,019 | 757,452 | 707,943 | 2,660,317 |
| Equipment | 0 | 0 | 15,000 | 15,000 | 41,770 | 0 | 41,770 |
| Grants | 0 | 0 | 38,234,502 | 38,234,502 | 0 | 40,248,513 | 40,248,513 |
| **Total Costs** | **$1,863,295** | **$872,955** | **$39,767,604** | **$42,503,854** | **$946,443** | **$41,745,884** | **$44,555,622** |
| Proprietary | 1,863,295 | 872,955 | 39,767,604 | **$42,503,854** | 946,443 | **$41,745,884** | **$44,555,622** |
| **Total Funds** | **$1,863,295** | **$872,955** | **$39,767,604** | **$42,503,854** | **$946,443** | **$41,745,884** | **$44,555,622** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** The Montana Board of Housing was created by the Montana Housing Act of 1975. The board is an agency of the state and operates within the Department of Commerce for administrative purposes. Under the Housing Act, the board does not receive appropriations from the state's general fund and is completely self-supporting. Substantially all of the funds for the board's operations and programs are provided by the private sector through the sale of tax-exempt bonds. The powers of the board are vested in a seven-member board, appointed by the Governor, subject to the confirmation of the State Senate. The board provides policy direction to the agency staff, authorizes bond issues, approves development financing and evaluates board housing programs. These programs include the Single Family Program, Recycled Single Family Program, Multifamily Loan Programs, Low Income Housing Tax Credit Program, Housing Revolving Loan Fund and the Reverse Annuity Mortgage (RAM) Program. The Board of Housing portion of the Housing Division is funded by proprietary (enterprise type) funds derived from an administrative charge applied to projects and mortgages financed, there are no direct appropriations provided in HB 2.

**Revenues and Expenses -**
Single Family Charges: According to state statute and, in some cases, the Internal Revenue Code, the board is allowed to earn the amounts that are presented on the "Report on Internal Service and Enterprise Funds". The board earns the bulk of its income from the spread between the interest yield on the Single Family Mortgage loans and the yield on the bonds. The board is allowed to earn 1 ½ percent on Pre-1980 Single Family Programs and 1 1/8 percent on the Post-1980 Single Family Programs.

Financial institutions that originate Single Family loans for the board charge two points, which they keep. According to tax law, origination points must be included in the amount that the board can earn. Operating expenses and servicing fees must be paid from the 1 1/8 percent that board is allowed to earn. Servicing fees are .375 percent of the mortgage principal balance. The board does not always receive the full 1 1/8 percent or 1 ½ percent spread. The spreads for the last several bond issues were as follows:

- 1995B1 0.87990 percent
- 1995B2 0.81670 percent
- 1996A 1.12500 percent
- 1997A1 1.39063 percent
- 1997A2 1.08842 percent
- 1998A 1.10078 percent
- 1998B 1.04678 percent
- 1999A 1.11985 percent
- 2000A 1.10302 percent
- 2000B 1.11709 percent
- 2001A 1.11898 percent
- 2002A 1.12251 percent
- 2002B 1.09666 percent

Operating expenses and servicer fees further reduce the amount of these earnings. The earnings also include 2 points of origination fees that are not received by the board.

The board also charges a reservation fee of 1/2 of 1 percent of the loan amount reserved. This amount is included in the spread that the board can earn. These fees are capitalized and are amortized as income over the life of the loans, as required by generally accepted accounting principles. Extension fees and late fees are also, occasionally, charged. The majority of these fees are capitalized and amortized over the life of the loans. The extension fees are 1/4 of 1 percent of the loan amount and the late fees are 1/2 of 1 percent of the loan amount. The amortization of these fees results in an average of approximately $450,000 of income per year. These fees are deposited with the trustees and are used to originate new mortgages.

Multifamily Charges: Multifamily Programs can earn 1 1/2percent spread between the mortgage yield and the bond yield. On the last several issues, the Board did not receive the full 1 1/2percent spread. The spreads for the last four bond issues are as follows:

- 1992A 1.067700 percent
- 1996A 0.826000 percent
- 1998A 0.281566 percent
- 1999A 1.013963 percent

(Servicing fees and operating expenses further reduce the amount of this spread.)

We have currently had two loans payoff and one loan make a substantial prepayment but not completely payoff. It is always a possibility that loans will make prepayments but until that happens it is hard to predict this scenario. If these loans prepay, bonds will be redeemed with the prepayments, and the board will no longer earn any spread on these loans. In the 1992A bond issue, the board is currently using excess revenues to purchase loans at interest rates that are lower than the bond yield. This further reduces the amount of earnings in the Multifamily Program. Under the Multifamily Program, the board can charge a reservation fee, on new loans, of up to 1 percent of the principal balance. Normally, the board charges less than this amount.

Low Income Housing Tax Credit Charges: The board receives $2 million dollars of tax credit allocation, annually. The board charges 4 ½ percent of the amount of tax credit reserved. In the next biennium, reservation fee income is estimated to be approximately $90,000 per year. The board is also required to monitor the projects that receive tax credits to determine if the projects are in compliance with tax credit regulations. The board charges $20 per unit for compliance fees. The board has approximately 3,700 units. Approximately $74,000, annually, will be received during the biennium. Tax credit fees are charged to cover the operating expenses of the program.

Housing Revolving Loan Account Charges: The 1999 Legislature established this fund to provide loans to projects providing affordable housing in Montana. Although the fund was established in 1999 it was not funded. The 2001 Legislature added funding through a transfer of Section 8 reserve funds and an allocation of Temporary Assistance to Needy Families (TANF). The TANF funding is currently be used to finance down payment and closing cost loans for homebuyers. The other funding is available for other types of housing loans that will typically need that last small piece of financing to make them feasible. The interest that will be charged on HRLA loan will range from 2 percent – 6 percent.

Reverse Annuity Mortgage Loans (RAM) Charges: Under the RAM program, elderly homeowners can receive monthly payments, for 10 years, to assist them with their living expenses. The loans accrue interest at 5percent. The principal and interest is not due until the borrower dies or sells their home. It is difficult to determine how much of the interest and principal will actually be received on these loans or when it will be received. These loans are not guaranteed or insured.

Increase in Mortgage Income: The board's mortgage income during the last five years has continued to increase. Part of the reason is because there are three Single Family bond issues (1992RA, 1995B & 1997A) that were structured to use loan prepayments and excess revenues to originate loans rather than to call bonds or pay debt service. These bond series have 40 year bonds rather than the typical 30 year bonds. These series do not have principal payments on the bonds for 10 years, only interest is due. During first 10 years of each bond issues, mortgages will be originated with prepayments and the excess revenues. The 1992RA will begin paying principle in December, 2002 however the board is researching avenues to extend this requirement out another 5 years.

The board has continued to issue bonds each year to originate new mortgages. During fiscal years 2000, 2001 & 2002, the board issued bonds in the amounts of $87,695,000, $142,940,000 & $39,000,000, respectively. We anticipate mortgage revenue will continue to increase during the next biennium as the board continues to originate loans with prepayments, excess revenues and bond proceeds.

Note: The board established a $50 million draw down bond line of credit for the purpose of refunding bond principle payments in place of issuing new debt that requires state bond volume cap. The draw down bond line of credit is paid by a future issuance of bonds.

Investment Income: In fiscal year 2002, the board earned approximately $10,801,278 on its investments. During the latter part of fiscal year 2000, the board entered into a repurchase agreement on its Single Family II Indenture. The repurchase agreement is at 6.43 percent for 30 years and will help us predict investment income in the upcoming years.

NOTE: For Post 1980 Single Family issues and Post 1986 Multifamily issues, investment earnings cannot exceed the yield on the bonds.

Increase in Fair Market Value: The increase in fair value is a requirement of GASB 31. It requires that all investments be valued at fair value. During 1998, the first year that GASB 31 was implemented, the board recorded a gain of approximately $2.8 million. In the last four years, we have seen significant drops in the market value. The board does not intend to sell the long-term investments. If they are sold, we will receive the value of the investment on the day of the sale. This amount could be substantially different from the market value at June 30th. We did not estimate any increases or decreases in the fair value for fiscal years 2001, 2002 or 2003. The market fluctuations are significant and it is impossible to estimate the value of the investments at any given time.

Operations & personal services expense: Operations for the next biennium are anticipated to be approximately $5.2 million for FY 2004 and $5.6 million for FY 2005. The operating expenses include the following:

| | | |
|---|---|---|
| Servicer fees: | $2.6 million (FY 2004) | $2.8 million (FY 2005) |
| Operating expenses & personal services: | $2.6 million (FY 2004) | $2.8 million (FY 2005) |

The operations of the board include purchasing mortgage loans, receiving repayments and prepayments, investing funds, issuing and redeeming bonds. During FY 2002, the board purchased $132,519,960 in mortgages and received $62,573,087 in mortgage repayments, prepayments and interest. The board paid interest and principal on bonds of $99,257,240 and issued new bond proceeds in the amount of $39,000,000. This was done with a staff of 19.00 FTE.

Miscellaneous Operating expense: Miscellaneous operating includes the interest expense on bonds. It also includes the periodic amortization of the cost of issuance expense. The costs associated with issuing the bonds are expensed over the life of the bonds, as required by generally accepted accounting principles.

During fiscal years 2000, 2001 & 2002, the board issued bonds in the amounts of $87,695,000, $142,940,000 & $39,000,000, respectively. The issuance of new debt has been greater than the maturities and redemptions of bonds. So, this has resulted in a higher debt service. The board anticipates that this increase in debt service will continue during the next biennium.

**Rate Explanation -** Fund Equity/Reservations of Fund Balance: As stated in the board's financial statements, Note 1, Fund Accounting: Reserved Retained Earnings (pledged to bondholders) represent bond program funds that are required to be used for program purposes as prescribed by individual bond indentures. The following are restrictions on the Reserved Retained Earnings: Special trust funds and accounts within the indenture are pledged as collateral for the bonds under the individual program indentures; Reserve requirements on cash and investments; Mortgage loans receivable are also pledged as security for holders of the bonds; Certain indentures require asset-liability coverage ratios be met as well as cash flow certificates be furnished for any significant change anticipated in the financial structure of an indenture

The Trust Indentures entered into by the board requires all mortgages, and all moneys and investments within the indentures are legally restricted to uses provided for in the indentures and fund balance associated with the indentures is legally required to be reserved for those uses.

In addition to the legal requirements mentioned above, the board commits funds to various projects and programs throughout the year. The board has set aside over $200 million of first mortgage funds for special programs, and originates approximately $20 million per year of new loans under this program (targeting income levels of approximately $20,000). As of the end of FY 2002, the board had $14,967,801 in outstanding Recycled Mortgage Program commitments.

In the Multifamily area, the board commits funds to projects around the state, with the intent to pool mortgages and issue bonds to fund mortgages and reimburse the board where it has advanced funds on some of the projects. The board has 30 active first mortgages with initial principle balances of $25,914,653. There are also 8 second position loans funded from a AHP grant awarded to the board by the Federal Home Loan Bank of Seattle. The board has two loans prepay and two loans foreclosed on.

In order to operate a more efficient Multifamily program, the board was awarded a rating of A2 for its General Obligation on April 8, 1997. In order to obtain the A2 rating, the board pledged that it will use any and all of the moneys, assets or revenues of the board to back bonds issued using the General Obligation rating. All of the board's bond issues, with the exception of the Single Family III through X (issued from 1988-1992) hold the board's General Obligation pledge.

The fund balance within the Housing Trust fund is legally required to be reserved for security to the single family programs by Resolution 92-0821-S1, the Fifth Supplemental Trust Indenture for its Single Family II Indenture and by Resolution 93-0624-S2.

The board funds its RAM programs from the Housing Trust fund, because these are programs for which the board cannot issue bonds. As of the end of FY 2002, the board has RAM loans with an outstanding principal balance and interest of $550,143. Outstanding commitments from the Housing Trust Fund as of FY 2002 were $948,715 for RAM.

The board's budget monies (those projected to be needed for the fiscal year's operations) are drawn down from the indentures at the beginning of the fiscal year. These funds are legally pledged to the trust indentures from which they were drawn and any associated fund balance is reserved for the program from which the budgeted funds were withdrawn.

Management Objectives Regarding Fund Balance: The major component of the board's fund balance (retained earnings) is its single family program. The board has been recycling repayments and prepayments of mortgages for several years. The board has committed these funds to special programs, at rates which are in many cases below the average coupon on the bonds. The average income on the special programs is less than $20,000, whereas the average income on the board's regular bond programs is about $33,000. The board intends to continue these special programs as they serve Montana citizens the board would not otherwise be able to serve.

Net income over and above bond debt service, operating costs, and servicing fees, is used to write down the rates on special programs or to fund programs such as the RAM Program for elderly. These programs cannot be funded from direct bond proceeds as there is no repayment guarantee. In the Multifamily area, the board intends to continue to leverage its multifamily funds into new multifamily loans through the revolving pool so that loans can be completed in a timely and efficient manner.

The board is reviewed at the time of each bond issue by two rating agencies: Standard & Poor's, and Moody's Investor Services. In order to meet the cashflow tests, the board must have sufficient assets, earnings, and liquidity, to meet all bond interest and principal expenses, as well as pay operating expenses. The board just received an Aa2 from Moody's and a AA+ from Standard & Poor's on its largest indenture. The board's rating reflects the rates the board gets on its bonds, which is reflected in the mortgage rates passed on to first time home buyers in Montana. In 1990, the board purchased 1 in 10 of the mortgages. In 2002, the board purchased 1 in 4 of these mortgages. The board's continuous funding (which was a goal of current management set in 1994) and steady, low interest rates, as well as the board's special programs, have contributed to this increase. In addition the increase in housing costs in Montana has made the need for lower interest rate financing even more profound.

Cash Flow Discussion:
Collection of mortgage payments & purchase of loans: Each month the board receives funds from the financial institutions that service the board's Single Family and Multifamily loans. The funds include the amount of principal, interest, less servicing fees (.375percent, .125percent and .10percent of the principal balance) that are due on the board's loans. The money is collected by the board's trustees. Twice monthly, the board purchases loans from new bond proceeds, prepayments or other revenues.

The board receives tax credit reservations fees when the tax credits are approved. These fees are deposited with the state treasurer and are used to cover expenses of the program. Reservations fees on the Single Family and Multifamily Programs are deposited with the trustees when the approved loans are reserved. They are deposited in the program acquisition account and are used to originate new mortgages.

Payment of Bond P & I: Principal and interest, on the Multifamily and Single Family Bond issues, is due on each February 1, April 1, June 1, August 1, October 1 and December 1. During FY 1999, the board paid $99,257,240 in principal and interest on the bonds.

This number includes scheduled principal and interest payments as well as bond redemptions from prepayments and excess reserves and other revenues. The amount of debt service paid will vary depending on the amount of prepayments received. Under the Single Family I and II Indentures, except for those series that were structured for recycling, each semiannual debt service date, the board determines how many prepayments have been received. The board uses the loan prepayments to redeem bonds in an amount equal to the prepayments received. In eight of the Trust Indentures (Single Family III through X) all repayments, prepayments and investment income must, currently, be used to redeem the bonds each April 1 and October 1. The income cannot be used for any other purpose. Annually, the board reviews any other revenues and excess reserves in the Single Family programs and those amounts are also used to redeem bonds. The Multifamily Program has received prepayments on two loans and bonds will be redeemed. In the future, there may be prepayments, and bonds will also be redeemed.

Investment of funds: In the Single Family I and II Indentures, the board invests the majority of prepayments and repayments of loans in repurchase agreements. The interest coming due on the agreements also coincides with a debt service date. In two of the series under the Single Family II Indenture, prepayments and any other revenues are used to originate loans that could not otherwise be originated under the tax laws. These two series do not have principal due on the bonds for the first 10 years of the bond issue. These funds are normally invested based on the anticipated loan purchase dates. Under the Single Family I Indenture, a portion of prepayments and repayments are used to originate loans that do not meet the tax laws. These funds are currently invested in a repurchase agreement and withdrawn as the funds are needed for purchases.

The deposit of the initial bond proceeds, used for purchasing loans, is normally invested in a two year, fixed rate, repurchase agreement. As explained above, all funds received on Single Family III through X are used for bond calls and scheduled debt service. These funds are invested in 30 year Guaranteed Investment Contracts. All debt service reserve funds and mortgage reserve funds that must be held as security for the bondholders are invested in long-term securities, repurchase agreements or guaranteed investment contracts. Under the Multifamily Program, the funds are invested to the next debt service date or to a loan purchase date.

Other Mortgage Purchases: The board also purchases Reverse Annuity Mortgage (RAM). The RAM loans are not repaid until the borrower dies or sells their home. These amounts are assets of the board and the interest is accrued monthly, but we may not receive the principal and interest repayments for many years.

Operating Expenses: The board draws funds for its budget, annually, from the amounts available within the Indentures. The amount of the approved budget, less any cash on hand, is withdrawn from the Indenture and is allocated among the various Indentures. These funds are pledged to the bondholders.

# Department Of Commerce-6501
# Housing Division-74

## -------------------------------- Present Law Adjustments --------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $713,337 | FY04 | $0 |
| FY05 | $832,738 | FY05 | $0 |

**PL- 17 - Administrative Costs Adjustments HB 576 -**
Adjustments include overtime, per-diem, trustee fees for bond issuance, legal counsel, foreclosure fees, and other items.

## -------------------------------------- New Proposals --------------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $39,767,653 | FY04 | $0 |
| FY05 | $41,746,130 | FY05 | $0 |

**NP- 2 - Section 8 Housing Funding Shift -**
The Section 8 Housing program works to provide rental assistance through Housing and Urban Development (HUD) Section 8 authority on behalf of low-income families and the elderly in Montana. Section 8 contracts with HUD to provide payments to landlords for the rental of private housing units to eligible program participants through an annual contribution's contract (ACC). For these services the Section 8 Housing program earns a fee for each unit it manages.

Since the Section 8 Housing program is financed and managed like a private business enterprise it should be accounted for in the enterprise fund type for the following reasons:

- Program customers are completely outside of state government
- GAAP requires it
- The program meets the National Council on Governmental Accounting Standards enterprise fund definition
- HUD requires the program to furnish it with annual financial reports using the enterprise method of accounting
- The HUD contracts are awarded on a competitive basis
- The CFDA categorizes the Section 8 Housing program as "Direct payments for Specified Use", not as grants or any other type of federal award and
- The program must maintain its lease rates, just like a private enterprise.

The recommendation to place the Section 8 Housing program in an enterprise fund will result in an overall reduction in HB 2 of approximately $39,752,850 in FY 2004 and $41,730,587 in FY 2005. There will be no requirement for legislative approval of rates because the program will be categorized as an enterprise fund. The program, like any other private business, will sink or swim on its own merits by securing contracts in a competitive environment, maintaining its lease rates, and controlling its expenditures.

# Department Of Commerce-6501
# Housing Division-74

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06030, 06031 | Housing Authority | 65010 | Dept of Commerce | Board of Housing |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Net Fee Revenue | 264,957 | 212,535 | 234,504 | 235,000 | 235,000 | 235,000 |
| Investment Earnings | 9,697,183 | 13,547,200 | 10,823,572 | 11,000,000 | 11,000,000 | 11,000,000 |
| Securities Lending Income | 3,948 | 790 | 1,189 | 1,200 | 1,200 | 1,200 |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 34,906,637 | 39,701,444 | 41,606,787 | 43,000,000 | 45,000,000 | 47,000,000 |
| Total Operating Revenues | 44,872,725 | 53,461,969 | 52,666,052 | 54,236,200 | 56,236,200 | 58,236,200 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 44,872,725 | 53,461,969 | 52,666,052 | 54,236,200 | 56,236,200 | 58,236,200 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 568,577 | 547,146 | 689,153 | 724,449 | 814,249 | 815,594 |
| Other Operating Expenses | 39,303,730 | 44,386,527 | 44,962,942 | 46,825,000 | 47,790,000 | 50,000,000 |
| Miscellaneous, operating | 158,003 | 207,491 | 298,884 | 1,896,234 | 1,923,070 | 1,995,274 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 40,030,310 | 45,141,164 | 45,950,979 | 49,445,683 | 50,527,319 | 52,810,868 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 40,030,310 | 45,141,164 | 45,950,979 | 49,445,683 | 50,527,319 | 52,810,868 |
| Operating Income (Loss) | **4,842,415** | **8,320,805** | **6,715,073** | **4,790,517** | **5,708,881** | **5,425,332** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | 240,867 | 240,140 | 240,000 | 240,000 | 240,000 |
| Net Nonoperating Revenues (Expenses) | - | 240,867 | 240,140 | 240,000 | 240,000 | 240,000 |
| Income (Loss) Before Operating Transfers | 4,842,415 | 8,561,672 | 6,955,213 | 5,030,517 | 5,948,881 | 5,665,332 |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 99,646,414 | 104,488,829 | 113,050,501 | 120,005,714 | 125,036,231 | 130,985,112 |
| Net Income (Loss) | 4,842,415 | 8,561,672 | 6,955,213 | 5,030,517 | 5,948,881 | 5,665,332 |
| Retained Earnings/Fund Balances - June 30 | **104,488,829** | **113,050,501** | **120,005,714** | **125,036,231** | **130,985,112** | **136,650,444** |
| 60 days of expenses | | | | | | |
| (Total Operating Expenses divided by 6) | 6,671,718 | 7,523,527 | 7,658,497 | 8,240,947 | 8,421,220 | 8,801,811 |

**Requested Rates for Enterprise Funds**
**Fee/ Rate Information:**

| | Budget FYE 00 - FY 03 | ------Requested------ FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|
| Reservation fees-Single Family Program | 1/2 of 1 % of the loan amount reserved | | | MCA 90-6-104 |
| Reservation fees-Low Income Tax Credit Program (LITC) | 4 1/2% of the tax credit amount reserved | | | MCA 90-6-104 |
| Compliance monitoring fee-Low Income Tax Credit Program | $20 per unit | | | MCA 90-6-104 |
| Extension Fee | 1/4 of 1% of the loan amount | | | MCA 90-6-104 |
| Late Fee | 1/2 of 1% of the loan amount | | | MCA 90-6-104 |
| Pre 1980 Single Family Programs | 1 1/2% spread between mortgage interest rate and bond yield No limit on investment earnings | | | MCA 90-6-104 & IRC Section 143(g)(2) |
| Post Single Family Programs | 1 1/8% spread between mortgage interest rate and bond yield Investment earnings limited to the bond yield | | | MCA 90-6-104 & IRC Section 143(g)(2) |
| Post 1986 Multifamily Program | 1 1/2% spread between the mortgage interest rate and the bond yield Investment earnings limited to the bond yield | | | MCA 90-6-104 & IRC regs 1 148-2(d)(2)(iii) |
| Pre 1986 Multifamily Program | 1 1/2% spread between the mortgage interest rate and the bond yield No limit on investment earnings | | | MCA 90-6-104 & IRC Section 143(f)(2) |
| Multifamily Reservation Fee | up to 1% of the loan amount reserved | | | MCA 90-6-104 |
| Interest income on reverse annuity mortgage loans (RAM) | 5% (new) 7% (old) loans | | | MCA 90-6-503 and 104 |
| Interest income on Cash Assistance loans(CAP) | variable rates ranging from 5% to 7% | | | MCA 90-6-104 |
| Interest on Investments | STIP investment rate | | | MCA 90-6-104 |

# Department Of Commerce-6501
# Board Of Investments-75

**75 Board of Investments**
**Carroll South x 1285**

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 33.00 | 0.00 | 1.00 | 34.00 | 0.00 | 1.00 | 34.00 |
| Personal Services | 1,926,214 | 193,109 | 49,496 | 2,168,819 | 201,368 | 49,376 | 2,176,958 |
| Operating Expenses | 987,891 | 82,700 | 7,424 | 1,078,015 | 13,698 | 7,406 | 1,008,995 |
| **Total Costs** | **$2,914,105** | **$275,809** | **$56,920** | **$3,246,834** | **$215,066** | **$56,782** | **$3,185,953** |
| Proprietary | 2,914,105 | 275,809 | 56,920 | 3,246,834 | 215,066 | 56,782 | 3,185,953 |
| **Total Funds** | **$2,914,105** | **$275,809** | **$56,920** | **$3,246,834** | **$215,066** | **$56,782** | **$3,185,953** |

**Please note that a HB 2 section exists for this program.**

**Program Description –**
**Unified Investment Program:**
The Board of Investments manages the Unified Investment Program mandated by Article VIII, Section 13 of the Montana Constitution. Section 17-6-201,MCA, created the Board of Investments, and gave the board sole authority to invest state funds. The board also invests local government funds at their discretion. The board currently manages an investment portfolio with a market value of approximately $8.6 billion. The board manages the portfolio under the "prudent expert principle."

To provide for diversification and reduced risk, the board manages several investment pools in which funds of similar types are invested. The Legislative Auditor audits the board annually. The board consists of nine members appointed by the Governor.

**In-State Investments:**
Section 17-6-305, MCA, authorizes the board to invest up to 25 percent of the permanent coal tax trust fund to assist Montana's economic development. This "In-State Investment Program" makes business loans from the trust in participation with financial institutions. The board also lends trust fund monies to local governments to fund infrastructure that will serve job-creating businesses locating in the government's jurisdiction. The Value-Added Loan Program provides low interest loans from the trust to value-added type businesses creating jobs. The board purchases Montana residential mortgages with pension funds as part of the In-State Investment program.

**INTERCAP Program:**
The board sells tax-exempt bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to ten years, and short-term loans to finance cash flow deficits or bridge financing are also available. The INTERCAP and In-State Investment Programs were created in FY 1984 as part of the "Build Montana" program.

**Revenues and Expenses -**
(1) Change in Services or Fees: There has been no significant change in the services provided by the Board of Investments from those provided in the last biennium, although the investment portfolio continues to grow in size. The 2001 Legislature approved 33.00 FTE (30.00 funded from accounting entity 06527, and 3.00 funded from accounting entity 06014) in the last session.

(2) Working Capital Discussion: The Board of Investments charges its costs to the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures similar to what occurs in HB 2 and set the fee at that level. This process has worked very well since the passage of HB 576 and this methodology is continued in the 2005 biennium because it provides an easy comparison with historical financial activity.

# Department Of Commerce-6501
# Board Of Investments-75

**Rate Explanation** -Investment Programs (accounting entity 06527): The revenue objective of the investment program is to fairly assess the costs of operations to each account the board invests while maintaining a reasonable and prudent 60 day working capital reserve.

Bond Programs (accounting entity 06014): Nearly all Bond Program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270 day fund balance is required to provide adequate funding for the Bond Program between draws. Remaining revenues are received monthly from the boards contract with the Montana Facility Finance Authority. Other revenues, if any, not received by billings to client agencies (e.g. direct appropriations):

The Board of Investments does not receive any direct appropriations. Funding for accounting entity 06527 is generated entirely from charges to each account that the board invests and is used to finance the investment program. Funding for accounting entity 06014 is the revenue generated from the difference between the interest earned from loans to borrowers and interest paid to bond holders; and monthly contract revenues received from the Montana Facility Finance Authority. Non-budgeted revenues are used to finance statutorily appropriated debt service expenditures.

(3) Fund Equity and Reserved Fund Balance: At the proposed level of expenditures, the board projects a FY 2005 ending unreserved fund balance and a working capital reserve for accounting entity 06527.

(4) Cash Flow Discussion: Costs to the entities using the board services are typically assessed on a monthly basis for accounting entity 06527. Since collections lag by at least one month, the board must maintain a nominal 60-day working capital reserve to meet ongoing operational expenses.

Revenues for accounting entity 06014 are typically received on an annual basis, so a 270 day fund balance is required to provide adequate funding for the bond program between draws.

Investment Programs (accounting entity 06527): The revenue objective of the investment program is to fairly assess the costs of operations to each account the board invests while maintaining a reasonable and prudent 60 day working capital reserve.

Bond Programs (accounting entity 06014): Nearly all bond program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270 day fund balance is required to provide adequate funding for the Bond Program between draws. Remaining revenues are received monthly from the Boards contract with the Montana Facility Finance Authority.

## -------------------------------- Present Law Adjustments --------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $42,129 | FY04 | $0 |
| FY05 | $43,434 | FY05 | $0 |

**PL- 18 - Administrative Cost Adjustments HB 576 -**
Adjustments include restoration of zero-based board per diem and overtime, as well as the rent increase and the indirect charges required by state law adopted in the special session.

## ---------------------------------------- New Proposals ----------------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $56,920 | FY04 | $0 |
| FY05 | $56,782 | FY05 | $0 |

**NP- 22 - Add 1.00 FTE -**
In the 2003 biennium, the Board of Investments assumed the loan portfolio of the former Montana Science and Technology Alliance. At that time 1.00 FTE was to be moved from HB 2 into the HB 576 side of the Board of Investments. This transaction was inadvertently left out. In addition, the HB 2 portion of the former Montana Science and Technology Alliance portfolio will be assumed by the board and funding needs to be secured within the board internal service fund for the FTE manager of the outstanding portfolio.

# Department Of Commerce-6501
# Board Of Investments-75

### Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06527 | Investment Division | 65010 | Dept. of Commerce | Board of Investments |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Administrative Fees | - | - | - | 2,805,200 | 2,915,000 | 2,920,000 |
| Net Fee Revenue | 2,191,032 | 2,049,130 | 2,901,292 | 2,805,200 | 2,915,000 | 2,920,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 1,635 | - | - | - | - | - |
| Total Operating Revenues | 2,192,667 | 2,049,130 | 2,901,292 | 2,805,200 | 2,915,000 | 2,920,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 2,192,667 | 2,049,130 | 2,901,292 | 2,805,200 | 2,915,000 | 2,920,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 1,514,841 | 1,575,243 | 1,842,921 | 1,858,805 | 2,040,884 | 2,048,826 |
| Other Operating Expenses | 591,855 | 468,718 | 537,242 | 946,395 | 825,748 | 758,670 |
| Miscellaneous, operating | 174,771 | 179,786 | 303,402 | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 2,281,467 | 2,223,747 | 2,683,565 | 2,805,200 | 2,866,632 | 2,807,496 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 2,281,467 | 2,223,747 | 2,683,565 | 2,805,200 | 2,866,632 | 2,807,496 |
| Operating Income (Loss) | **(88,800)** | **(174,617)** | **217,727** | **-** | **48,368** | **112,504** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | (5,484) | 355 | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | (5,484) | 355 | - | - | - |
| Income (Loss) Before Operating Transfers | (88,800) | (180,101) | 218,082 | - | 48,368 | 112,504 |
| Contributed Capital | 18,298 | 18,298 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 202,788 | 113,988 | (47,815) | 170,267 | 170,267 | 218,635 |
| Net Income (Loss) | (70,502) | (161,803) | 218,082 | - | 48,368 | 112,504 |
| Retained Earnings/Fund Balances - June 30 | **132,286** | **(47,815)** | **170,267** | **170,267** | **218,635** | **331,139** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 380,245 | 370,625 | 447,261 | 467,533 | 477,772 | 467,916 |

**Requested Rate for Internal Service Funds**
**Fee/ Rate Information for Legislative Action**

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ------Requested------ FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| BOI Administrative Fee Rate | $2,191,032 | $2,049,130 | $2,901,292 | $2,805,200 | $2,915,000 | $2,920,000 | MCA 17-6-201(7) |

Revenue Objective: The revenue objective of the Board of Investments is to assess the costs of operations to each portfolio the Board invests while attempting to maintain a reasonable and prudent working capital reserve.

# Department Of Commerce-6501
# Board Of Investments-75

**Report on Internal Service and Enterprise Funds, 2005 Biennium**

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06014 | Economic Development Bonds | 65010 | Dept. of Commerce | Board of Investments |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Fee Revenues | - | - | - | 13,000 | 13,000 | 13,000 |
| Net Fee Revenue | 6,063 | 9,940 | 12,992 | 13,000 | 13,000 | 13,000 |
| Investment Earnings | 459,227 | 1,120,444 | 575,823 | 575,000 | 575,000 | 575,000 |
| Securities Lending Income | 286 | 86 | 135 | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 3,762,798 | 3,682,543 | 2,892,572 | 3,300,000 | 3,500,000 | 3,700,000 |
| Total Operating Revenues | 4,228,374 | 4,813,013 | 3,481,522 | 3,888,000 | 4,088,000 | 4,288,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 4,228,374 | 4,813,013 | 3,481,522 | 3,888,000 | 4,088,000 | 4,288,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 148,020 | 217,162 | 172,186 | 165,284 | 127,935 | 128,132 |
| Other Operating Expenses | 3,342,051 | 3,993,922 | 3,046,013 | 3,460,000 | 3,660,000 | 3,860,000 |
| Miscellaneous, operating | 19,258 | 129,039 | 33,038 | 176,091 | 252,065 | 251,868 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 3,509,329 | 4,340,123 | 3,251,237 | 3,801,375 | 4,040,000 | 4,240,000 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 3,509,329 | 4,340,123 | 3,251,237 | 3,801,375 | 4,040,000 | 4,240,000 |
| Operating Income (Loss) | **719,045** | **472,890** | **230,285** | **86,625** | **48,000** | **48,000** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | 719,045 | 472,890 | 230,285 | 86,625 | 48,000 | 48,000 |
| Contributed Capital | 23,478 | 23,478 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 3,756,177 | 4,017,102 | 4,513,470 | 4,743,755 | 4,830,380 | 4,878,380 |
| Net Income (Loss) | 742,523 | 496,368 | 230,285 | 86,625 | 48,000 | 48,000 |
| Retained Earnings/Fund Balances - June 30 | **4,498,700** | **4,513,470** | **4,743,755** | **4,830,380** | **4,878,380** | **4,926,380** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 584,888 | 723,354 | 541,873 | 633,563 | 673,333 | 706,667 |

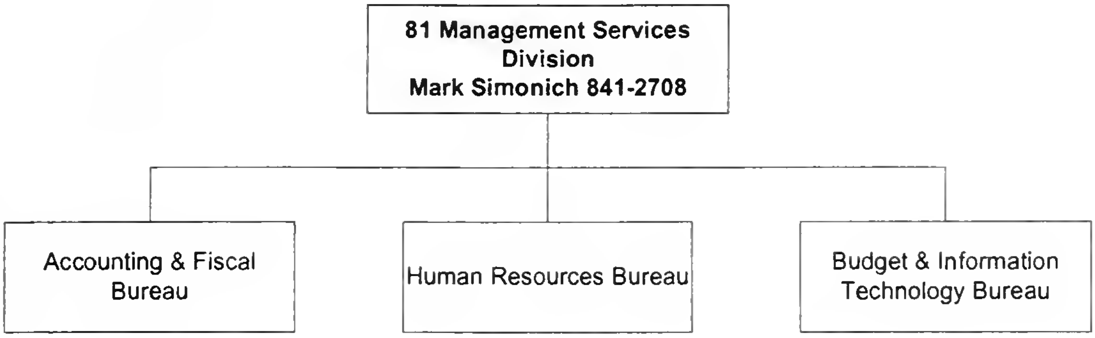
**Requested Rates for Enterprise Funds**

**Fee/ Rate Information:**

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ------Requested------ FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Budgeted Revenues | | | | | | | |
| Fees & Investment Revenu | $465,290 | $1,130,384 | $588,815 | $588,000 | $588,000 | $588,000 | MCA 17-5-1504(6)<br>MCA 17-5-1611(5)(6)<br>MCA 17-5-1621(6)<br>MCA 17-5-1643(1) |

Nearly all budgeted program revenue is generated by a spread between the interest rates on bonds sold and the interest charged on loans made to eligible governments. These revenues are received from the trustee annually. Consequently, a 270 day fund balance is required to fund the program between draws. Remaining revenues are received periodically, typically monthly, throughout the year. The requested fee is for budgeted operational costs and do not include monies to fund debt service.

# Department Of Commerce-6501
# Director/Management Services-81




## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 17.00 | 0.00 | 0.00 | 17.00 | 0.00 | 0.00 | 17.00 |
| Personal Services | 843,578 | 67,813 | 0 | 911,391 | 67,669 | 0 | 911,247 |
| Operating Expenses | 221,319 | (15,591) | 0 | 205,728 | (13,844) | 0 | 207,475 |
| **Total Costs** | **$1,064,897** | **$52,222** | **$0** | **$1,117,119** | **$53,825** | **$0** | **$1,118,722** |
| Proprietary | 1,064,897 | 52,222 | 0 | 1,117,119 | 53,825 | 0 | 1,118,722 |
| **Total Funds** | **$1,064,897** | **$52,222** | **$0** | **$1,117,119** | **$53,825** | **$0** | **$1,118,722** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** The Director's Office/Management Services Division consists of two programs - the Director's Office and the Management Services Division. The Director's Office assists the department with executive, administrative, legal, and policy guidance. This office acts as the liaison among private business, local governments, administratively attached boards, public and private interest groups, the legislature, Indian tribes, individuals, and the Governor's office. The Management Services Division provides internal support to all agency divisions, bureaus, and programs. Services provided by the Management Services Division include accounting and fiscal, budgeting and information systems, contracting and purchasing, human resources, payroll, and training.

Virtually every division, bureau, and program in the agency uses the division services. Division staff work closely with a host of other governmental agencies, both executive and legislative, in effect acting as the administrative contact points for the agency. The "central services" aspect of the Division greatly reduces the overlap and the redundancy found in decentralized business environments. These aspects enhance the overall effectiveness and efficiency of the agency by standardizing business processes and employing best business practices in as many areas of the agency as possible, while keeping the costs to supported programs as low as possible.

**Revenues and Expenses -**
(1) Change in Services or Fees: There has been no significant change in the services provided to supported divisions, bureaus, and programs. There are 17.00 FTE permanent funded through indirect charges to supported programs. There are no significant requests for funding increases in the 2005 biennium and the Department is proposing to reduce the 2005 biennium indirect cost rate to 15 percent from it' current 15.5 percent level.

(2) Working Capital Discussion: The indirect cost rate is calculated by dividing the projected annual expenditures of the Director's Office/Management Services Division, plus a nominal working capital reserve, by the projected actual personal services amounts estimated to be incurred by supported programs. Federally-funded programs are allocated indirect costs via a federally approved indirect cost rate, while state funded programs are allocated indirect costs via a legislatively approved indirect cost rate.

Indirect costs are charged to all supported programs on a monthly basis, and since indirect cost collections lag by at least one month the division must maintain a nominal working capital reserve to meet operating costs.

(3) Fund Equity and Reserved Fund Balance: At the proposed 15 percent rate, the department projects a fiscal 2005 ending unreserved fund balance of $175,525, or approximately a 57 day working capital reserve.

(4) Cash Flow Discussion: Indirect costs are charged to all supported programs on a monthly basis, since indirect cost collections lag by at least one month the division must maintain a nominal working capital reserve to meet on going operating costs.

**Rate Explanation** -The revenue objective of this unit is to maintain the lowest possible indirect cost charge to supported divisions, bureaus, and programs while attempting to maintain a nominal working capital reserve. Indirect costs are charged to divisions, bureaus, and programs on a monthly basis. For example, January's indirect costs would be charged to supported divisions, bureaus, and programs in February. Since indirect cost collections lag by at least one month it is necessary to maintain a reasonable and prudent working capital reserve to meet on going operational expenses. The department has historically used the same methodology in calculating indirect rates because the federal government requires it to be used to charge federally funded programs indirect costs. The rates proposed for the 2005 biennium are the most reasonable and appropriate available because they most closely match the fees commensurate with costs methodology, while maintaining a minimal working capital reserve, and meeting federal requirements.

Allocation Methodology: Indirect costs for the Director's Office/Management Services Division are allocated to supported programs via a federally approved indirect cost plan for federally funded programs, and a legislatively approved rate for state funded programs. Indirect cost rates are charged to supported programs based upon actual personal services expenditures.

Authority: Federally negotiated indirect cost plan for federally funded programs, and legislatively approved rate for state funded programs. FY 2004 and FY 2005 federal rate is an estimated negotiated rate.

**Significant Present Law -**
The only present law adjustment is for administrative costs, primarily for the increased costs associated with moving from state owned space to privately owned space.

## -------------------------------- Present Law Adjustments -------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $17,796 | FY04 | $0 |
| FY05 | $19,440 | FY05 | $0 |

**PL- 19 - Administrative Cost Adjustments HB 576 -**
One-time moving costs are deleted from the base, offset by inclusion of the rent adjustment for the new location.

# Department Of Commerce-6501
# Director/Management Services-81

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06542 | Central Services | 65010 | Dept. of Commerce | Director/Management Services Division |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Administrative Fees | 1,293,827 | 1,329,085 | 1,069,540 | 1,072,100 | 1,074,200 | 1,075,700 |
| Net Fee Revenue | 1,293,827 | 1,329,085 | 1,069,540 | 1,072,100 | 1,074,200 | 1,075,700 |
| Investment Earnings | | | | | | |
| Securities Lending Income | | | | | | |
| Premiums | | | | | | |
| Other Operating Revenues | | | | | | |
| Total Operating Revenues | 1,293,827 | 1,329,085 | 1,069,540 | 1,072,100 | 1,074,200 | 1,075,700 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 1,293,827 | 1,329,085 | 1,069,540 | 1,072,100 | 1,074,200 | 1,075,700 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 1,043,009 | 1,090,782 | 843,578 | 900,000 | 901,894 | 901,595 |
| Other Operating Expenses | - | - | - | - | - | - |
| Miscellaneous, operating | 155,848 | 199,798 | 221,319 | 200,000 | 205,728 | 207,475 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 1,198,857 | 1,290,580 | 1,064,897 | 1,100,000 | 1,107,622 | 1,109,070 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 1,198,857 | 1,290,580 | 1,064,897 | 1,100,000 | 1,107,622 | 1,109,070 |
| Operating Income (Loss) | **94,970** | **38,505** | **4,643** | **(27,900)** | **(33,422)** | **(33,370)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | 94,970 | 38,505 | 4,643 | (27,900) | (33,422) | (33,370) |
| Contributed Capital | 21,188 | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Rest | 120,823 | 236,981 | 275,486 | 280,129 | 252,229 | 218,807 |
| Net Income (Loss) | 116,158 | 38,505 | 4,643 | (27,900) | (33,422) | (33,370) |
| Retained Earnings/Fund Balances - June 30 | **236,981** | **275,486** | **280,129** | **252,229** | **218,807** | **185,437** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 199,810 | 215,097 | 177,483 | 183,333 | 184,604 | 184,845 |

**Requested Rates for Internal Service Funds**
**Fee/ Rate Information for Legislative Action:**

| | | | | Budgeted | -----Requested------ | |
|---|---|---|---|---|---|---|
| | FYE 00 | FYE 01 | FYE 02 | FY 03 | FY 04 | FY 05 |
| State Programs | | | | | | |
| Indirect Cost R | 9.85% | 9.85% | 15.50% | 15.50% | 15.00% | 15.00% |
| Federal Programs | | | | | | |
| Indirect Cost R | 9.85% | 9.85% | 15.50% | 15.50% | 15.00% | 15.00% |

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 20.50 | (0.50) | 0.00 | 20.00 | (0.50) | 0.00 | 20.00 |
| Personal Services | 933,169 | 97,117 | 0 | 1,030,286 | 99,220 | 0 | 1,032,389 |
| Operating Expenses | 246,127 | 19,770 | 0 | 265,897 | 22,866 | 0 | 268,993 |
| **Total Costs** | **$1,179,296** | **$116,887** | **$0** | **$1,296,183** | **$122,086** | **$0** | **$1,301,382** |
| Proprietary | 1,179,296 | 116,887 | 0 | 1,296,183 | 122,086 | 0 | 1,301,382 |
| **Total Funds** | **$1,179,296** | **$116,887** | **$0** | **$1,296,183** | **$122,086** | **$0** | **$1,301,382** |

**Program Description -** Agency Legal Services Bureau (ALSB) provides legal, hearings examiner, and investigative services to state agency clients on a contract basis. ALSB attorneys and investigators bill their time performing work for the clients, and case-related and incidental costs are also billed to the clients. ALSB also contains a bankruptcy unit that provides legal representation and advice to state agency clients regarding bankruptcy matters.

ALSB currently has 20 FTE funded from the revenues generated.

Statutory authority: The Attorney General is the legal officer for the state per Article VI, Section 4(4), Montana Constitution. Montana Code Annotated § 2-4-611(2) provides that state agencies may request from the Attorney General's Office a hearing examiner in a contested case.

Alternate Sources: State agencies have the option of using in-house or private counsel and investigators to perform the services provided by ALSB. Private law firms, however, typically charge considerably more per hour than ALSB. And, attorneys and investigators in ALSB have specific experience and knowledge related to litigation matters that client agencies find beneficial.

Customers Served: ALSB serves state of Montana agencies, boards, and commissions that have entered contracts with ALSB. According to Executive Order 5-93, the Legal Services Review Committee approves the use of private counsel by state agencies in lieu of ALSB counsel on a case-by-case basis.

**Revenues and Expenses -** Change in Services or Fees: There are no changes to service. The fees are requested to increase from $70 p/hr for attorneys and $38 p/hr for investigators to $71.80 and $39.80 respectively. The increase is due to the bureau moving from state-owned space to private space and the ability to recover a one percent cost projected for a pay plan increase.

Working Capital Discussion: The objective of program management is to recover costs only to fund necessary, ongoing operations.

Fund Equity and Reserved Fund Balance: While there is no requirement that an excess fund balance be maintained, the program seeks to build a limited capital reserve fund. The rates are influenced by the working capital necessary to maintain current operations.

Cash Flow Discussion: Cash flow into the program fluctuates depending on the volume of work in any given month, which can vary considerably.

**Rate Explanation -** Sufficient personnel are the drivers to achieve the requirements placed on ALSB. History has shown that the current staff has maintained the workload request from agencies. Staffing is monitored, for example, the FY 2004 and FY 2005 budget is deleting a 0.50 FTE.

# Department Of Justice-4110
# Agency Legal Services-06

The rate requested takes into account the volume expected, the known and expected expenditures. Various rates were analyzed to ensure the total fund equity did not increase. The minimum rate was requested, not addressing any requirement for a positive 60-day expense.

## -------------------------------- Present Law Adjustments -------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $40,355 | FY04 | $0 |
| FY05 | $41,333 | FY05 | $0 |

**PL- 601 - Agency Legal Services Base Adjustment -**
Agency Legal Services is requesting a base adjustment to eliminate a 0.50 FTE and transfer rent costs from "DofA Rent" to "Non-Dof A Rent" to reflect the ALS move to a non-state building. The rent figures include base costs plus the increased rent costs for the new building. The FTE reduction and the rent increase were both included in the ALS rate charge, approved by the OBPP for all state agency budgets.

# Department Of Justice-4110
# Agency Legal Services-06

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06500, 06535 | Justice Legal | 4110 | Dept. of Justice | Agency Legal Services |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| ALS Att/Inv Revenue | | - | - | 1,250,000 | 1,400,000 | 1,400,000 |
| Net Fee Revenue | 1,097,476 | 1,108,657 | 1,254,066 | 1,250,000 | 1,400,000 | 1,400,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 61 | 718 | 117 | - | - | - |
| Total Operating Revenues | 1,097,537 | 1,109,375 | 1,254,183 | 1,250,000 | 1,400,000 | 1,400,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 1,097,537 | 1,109,375 | 1,254,183 | 1,250,000 | 1,400,000 | 1,400,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 877,076 | 835,868 | 971,705 | 1,045,164 | 1,030,286 | 1,032,389 |
| Other Operating Expenses | 201,763 | 232,496 | 247,470 | 223,118 | 265,897 | 268,993 |
| Miscellaneous, operating | 11,666 | 10,790 | 11,221 | 11,526 | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 1,090,505 | 1,079,154 | 1,230,396 | 1,279,808 | 1,296,183 | 1,301,382 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 1,090,505 | 1,079,154 | 1,230,396 | 1,279,808 | 1,296,183 | 1,301,382 |
| Operating Income (Loss) | **7,032** | **30,221** | **23,787** | **(29,808)** | **103,817** | **98,618** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | 7,032 | 30,221 | 23,787 | (29,808) | 103,817 | 98,618 |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | 9,912 | - | - | - |
| Operating Transfers Out (Note 13) | - | - | (9,912) | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | (63,193) | (56,161) | (25,940) | (2,153) | (31,961) | 71,856 |
| Net Income (Loss) | 7,032 | 30,221 | 23,787 | (29,808) | 103,817 | 98,618 |
| Retained Earnings/Fund Balances - June 30 | **(56,161)** | **(25,940)** | **(2,153)** | **(31,961)** | **71,856** | **170,474** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 181,751 | 179,859 | 205,066 | 213,301 | 216,031 | 216,897 |

Fee/Rate Information for Legislative Action:

| Requested Rates for Internal Service Funds | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | -------Estimated------ FY 04 | FY 05 |
|---|---|---|---|---|---|---|
| Fee Group A | | | | | | |
| Attorney hourly rate | 62.00 | 62.00 | 70.00 | 70.00 | 71.80 | 71.80 |
| Investigators hourly rate | 35.00 | 35.00 | 38.00 | 38.00 | 39.80 | 39.80 |

# Dept. Of Corrections-6401
# Secure Custody Facilities-03

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 18.00 | 2.50 | 0.00 | 20.50 | 2.50 | 0.00 | 20.50 |
| Personal Services | 673,144 | 2,656 | 0 | 675,800 | 2,850 | 0 | 675,994 |
| Operating Expenses | 1,306,015 | 56,469 | 0 | 1,362,484 | 56,826 | 0 | 1,362,841 |
| Equipment | 0 | 0 | 186,004 | 186,004 | 41,796 | 44,584 | 86,380 |
| **Total Costs** | **$1,979,159** | **$59,125** | **$186,004** | **$2,224,288** | **$101,472** | **$44,584** | **$2,125,215** |
| Proprietary | 1,979,159 | 59,125 | 186,004 | 2,224,288 | 101,472 | 44,584 | 2,125,215 |
| **Total Funds** | **$1,979,159** | **$59,125** | **$186,004** | **$2,224,288** | **$101,472** | **$44,584** | **$2,125,215** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** The Food Factory was established to provide cost effective nutritional meals to the Montana State Prison and other state and county agencies, using a cook-chill method of food preparation. The cook-chill method allows food to be prepared a week in advance and packaged in bulk or individual trays.

**Revenues and Expenses -** The Food Factory derives its revenue from the sale of bulk food and trayed meals to customers. Currently the customers who are served include: Montana State Prison, Montana State Hospital, Treasure State Correctional Training Center, Riverside Youth Correctional Facility, WATCH DUI Unit, and the Helena Prerelease Center. The anticipated revenues for FY 2004 and FY 2005 are $2,230,000 and $2,271,000 respectively. The largest expense the food factory incurs is the purchase of raw food items and personal services costs. The anticipated expenses for FY 2004 and FY 2005 are $2,179,470 and $2,221,266 respectively. Personal services in Fy 2004 and FY 2005 include the original budgeted authority in addition to the present law adjustments for inmate wages and additional 2.00 FTE supervisors at the warehouse whose work is associated with the Food Factory. The miscellaneous operating includes the original budgeted authority in addition to the present law adjustments for additional operating authority. FY 2005 includes the purchase of $41,796 of equipment.

**Rates -** Current Food Factory rates charged to the customers are lower than the rates established during the 2001 Legislative session. The rates as they were established assumed that all customers would be purchasing a trayed complete meal. In actuality, most customers receive a bulk product. The bulk customers are charged the food cost plus a monthly overhead charge. The per meal trayed customer rates for FY 2004 and FY 2005 are as follows: Montana State Prison: $1.37l, Riverside Youth Correctional Facility: $2.01, WATCH DUI Unit: $1.59 and Helena Prerelease: $2.01. All meal rates include delivery costs.

## ------------------------------- Present Law Adjustments -------------------------------

| | Total Agency Impact | | General Fund Total | |
|---|---|---|---|---|
| | FY04 | $116,303 | FY04 | $0 |
| | FY05 | $116,132 | FY05 | $0 |

**PL- 21 - Food Factory Additional FTE -**

The MSP Food Factory converted to a proprietary internal service fund July 1, 2001. Presently the Food Factory is operating with assistance from Montana State Prison in the warehouse, delivery and food service. At the time of start-up, it was not known what resources would be needed to run the operation for the benefit of the customers and the Food Factory proprietary budget. This request will enable operation with 2.50 FTE in the 2005 biennium.

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**Total Agency Impact** **General Fund Total**

| | | | |
|---|---|---|---|
| FY04 | $75,724 | FY04 | $0 |
| FY05 | $117,520 | FY05 | $0 |

**PL- 23 - Food Factory Adjustment -**

The Food Factory was converted to a proprietary fund during the last Legislative session. The Food Factory operates a cook chill operation to produce meals for four facilities within the Department of Corrections, along with Montana State Hospital and Helena Prerelease. With the changeover to proprietary and the addition of customers from the previous year, this adjustment is needed to cover inmate payroll, food costs, etc.

### -------------------------------------- New Proposals --------------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $186,004 | FY04 | $0 |
| FY05 | $44,584 | FY05 | $0 |

**NP- 22 - Food Factory New Equipment -**

The MSP Food Factory will have new equipment needs due to the projected increase in meals to serve MSP and PHHS customers.

# Dept. Of Corrections-6401
# Secure Custody Facilities-03

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06573 | Prison Industries Cook Chill/Food Factory | 64010 | Dept. of Corrections | Montana Correctional Enterprises |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Food Factory | - | - | - | 2,200,000 | 2,230,000 | 2,271,000 |
| Net Fee Revenue | | | 2,048,468 | 2,200,000 | 2,230,000 | 2,271,000 |
| Investment Earnings | | | - | - | - | - |
| Securities Lending Income | | | - | - | - | - |
| Premiums | | | - | - | - | - |
| Other Operating Revenues | | | | | | |
| Total Operating Revenues | | | 2,048,468 | 2,200,000 | 2,230,000 | 2,271,000 |
| Intrafund Revenue | | | - | - | - | - |
| Net Operating Revenues | - | - | 2,048,468 | 2,200,000 | 2,230,000 | 2,271,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | | | 715,330 | 750,000 | 820,196 | 820,196 |
| Other Operating Expenses | | | | | | |
| Miscellaneous, operating | | | 1,427,073 | 1,511,178 | 1,359,274 | 1,401,070 |
| Miscellaneous, other | | | - | - | - | - |
| Total Operating Expenses | | | 2,142,403 | 2,261,178 | 2,179,470 | 2,221,266 |
| Intrafund Expense | | | - | - | - | - |
| Net Operating Expenses | - | - | 2,142,403 | 2,261,178 | 2,179,470 | 2,221,266 |
| Operating Income (Loss) | | | **(93,935)** | **(61,178)** | **50,530** | **49,734** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | | | - | - | - | - |
| Federal Indirect Cost Recoveries | | | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | | | | | | |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | | | (93,935) | (61,178) | 50,530 | 49,734 |
| Contributed Capital | | | 3,806,076 | - | - | - |
| Operating Transfers In (Note 13) | | | 47,508 | - | - | - |
| Operating Transfers Out (Note 13) | | | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | | | - | 3,759,649 | 3,698,471 | 3,749,001 |
| Net Income (Loss) | - | - | 3,759,649 | (61,178) | 50,530 | 49,734 |
| Retained Earnings/Fund Balances - June 30 | - | - | **3,759,649** | **3,698,471** | **3,749,001** | **3,798,735** |
| 60 days of expenses (Total Operating Expenses divided by 6) | - | - | 357,067 | 376,863 | 363,245 | 370,211 |

**Requested Rates for Internal Service Funds**
**Fee/ Rate Information for Legislative Action:**

The "bulk" customers are charged a food cost plus overhead charge, and the "trayed meal" customers will be charged the following rates through the next biennium:

| | |
|---|---|
| Montana State Prison "trayed portion" | $1.37 per meal |
| Riverside Youth Correctional Facility | $2.01 per meal, including delivery |
| DUI WATCH Program | $1.59 per meal, including delivery |
| Helena Pre Release | $2.01 per meal, including delivery |

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 40.00 | (1.00) | 0.00 | 39.00 | (1.00) | 0.00 | 39.00 |
| Personal Services | 2,438,657 | 362,162 | 0 | 2,800,819 | 362,816 | 0 | 2,801,473 |
| Operating Expenses | 2,562,009 | (23,374) | 0 | 2,538,635 | (19,628) | 0 | 2,542,381 |
| Equipment | 116,496 | 50,000 | 0 | 166,496 | 50,000 | 0 | 166,496 |
| Capital Outlay | 151,421 | 300,000 | 0 | 451,421 | 0 | 0 | 151,421 |
| **Total Costs** | **$5,268,583** | **$688,788** | **$0** | **$5,957,371** | **$393,188** | **$0** | **$5,661,771** |
| Proprietary | 5,268,583 | 688,788 | 0 | 5,957,371 | 393,188 | 0 | 5,661,771 |
| **Total Funds** | **$5,268,583** | **$688,788** | **$0** | **$5,957,371** | **$393,188** | **$0** | **$5,661,771** |

**Please note that a HB 2 section exists for this program.**

**Program Description** -The Montana Correctional Enterprise (MCE) Industry program includes furniture, upholstery, print, sign, and laundry operations at the Montana State Prison facility. In additional telemarketing programs are operated at the regional and private prison locations around Montana.

The MCE Ranch and Dairy operation includes range cattle, dairy, crops, feedlot and composting, which are all located at the Montana State Prison facility.

The MCE Vocational Education program operates a motor vehicle maintenance shop, Toyota cutaway operation, 2 x 4 lumber processing plant, and the Montana Food Bank cannery at the Montana State Prison Facility.

**Revenues and Expenses -**
Montana Correctional Enterprises (MCE) Industry revenues are derived from product sales to state and private customers. The expenses are determined by operational needs, cash flow, economic return, customer orders, and product inventory levels. Overall revenue levels are dependant on marketing efforts, legislative restrictions, state agency purchases, retail outlet dealer sales, expansion and adjustment of the product line, continuation of the Certified Industry Program, private sector complaints, private customer contracts, and the success of the programs at the Montana Women's Prison, regional and private prisons.

MCE Ranch and Dairy revenues are based on the market value of products sold. Expenditures are dependant on operational needs, cash flow, economic return, weather conditions, product market prices, and discussion with the Ranch Advisory Committee.

MCE Vocational Education Motor Vehicle Maintenance (MVM) revenues are based on customer vehicle and equipment repair and maintenance needs. Toyota revenues are based on contracts with the Toyota Company for producing motor vehicle cut-aways and trainers. The expenditure levels are determined by revenues and the need for parts and supplies for the repairs and contract projects. The MCE Vocational Education Food Bank revenues are derived from reimbursement of actual costs incurred.

**Rate Explanation** -The MCE Industries rates for furniture, upholstery, print and sign shops are based on competitive product pricing.

The MCE Industries laundry rates increased in FY 2002 for the first time since the inception of the laundry program in 1996. MCE is not projecting any rate increase for the 2005 biennium. The current laundry rates are as follows: Montana State Prison and Treasure State Correctional Training Center - $.39 per pound, Montana State Hospital - $.38 per pound and Montana Developmental Center Riverside Youth Correctional Facility - $.46 per pound. The break even cost for laundry operations is approximately $.35 per pound without delivery costs. Any profit is maintained within the Industries account to be used for future laundry equipment replacement, as well as the overall Industries enterprise operation

The Industries telemarketing rates are based on contracts with private companies. MCE Ranch and Dairy rates are based on the current market prices of cattle, crops and dairy products.

MCE Vocational Education Motor Vehicle Maintenance (MVM) and Toyota pricing are based on the cost of parts and an hourly labor charged. The labor charge covers the cost of the four FTE associated with the MVM and Toyota operations.

## -------------------------------- Present Law Adjustments --------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $50,000 | FY04 | $0 |
| FY05 | $50,000 | FY05 | $0 |

**PL- 17 - MCE Industries Equipment -**
This is a request for equipment authority for Montana Correctional Enterprises (MCE) for the 2005 biennium. MCE Industries is responsible for providing industry programs at the Montana Women's Prison, Great Falls Regional Jail, Cascade County Regional Detention Center and Crossroads Correctional Center in Shelby. To start new programs it is foreseeable that equipment purchases will be necessary. Purchase of the equipment will only be made if the programs are started and if the industries proprietary account has adequate cash flow.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $66,843 | FY04 | $0 |
| FY05 | $66,794 | FY05 | $0 |

**PL- 19 - MCE Ranch LP Program Authority Request -**
This is a request for spending authority for the MCE Ranch. MCE Ranch and Louisiana Pacific (LP) lumber mill in Deer Lodge are working on a cooperative project where MCE processes non-stud (re-trim and economy) grade 2X4 and 2X6 lumber by cutting out the defects in the lumber and palletizing the remaining sections to be used as finger jointer blocks for processing at the LP mill. This request will continue this program, which was implemented in FY 2002.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $300,000 | FY04 | $0 |
| FY05 | $0 | FY05 | $0 |

**PL- 20 - MCE Ranch Dam Compliance Authority -**
MCE is requesting spending authority for continuation of the rehabilitation work on the MCE Ranch high-hazard dams to comply with DNRC and the Montana Dam Safety Act requirements. MCE Ranch has eight irrigation dams as part of overall ranch operation. Five of these dams have been classified as high hazard by DNRC.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $1,152,795 | FY04 | $0 |
| FY05 | $1,152,795 | FY05 | $0 |

**PL- 24 - Ranch & Indus Inmate Payroll & Supervisor Overtime -**
This is a request for ranch inmate payroll, which covers ranch workers associated with the dairy, range cattle, crops, granary, EMS, irrigation, business skills, Food Bank, and the feedlot. Projections for the ranch for the next biennium are based on 80 inmates @ $4.50 per day for 365 days, for a total of $131,400.

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| | Total Agency Impact | | General Fund Total | |
|---|---|---|---|---|
| | FY04 | ($142,497) | FY04 | $0 |
| | FY05 | ($145,476) | FY05 | $0 |

**PL- 28 - Termination of the Montana Food Bank Program -**

This request will eliminate the Montana Food Bank Network Cannery. Montana Correctional Enterprises Ranch operates the Montana Food Bank Network Cannery. Funding for the Food Bank is shared among the Department of Corrections, Montana Correctional Enterprises Ranch proprietary fund and the Department of Public Health and Human Services general fund. During the past legislative sessions, in HB 2, the Legislature approved the funding for a 50-50 split between the two agencies. Per contract, any monies spent over the projected budget amounts of $136,844 in FY 2002 and $139,212 in FY 2003 will also be split evenly between the two agencies.

Based on the cannery production to date, the costing analysis shows that it is not cost effective. A similar type product could be purchased at a lower cost. This is due to various factors, e.g. lack of product (either no product or inadequate amounts of product) for all production days, lengthy preparation and processing times for certain types of products, and the length of time it takes to get new canning processes approved.

This proposal is to terminate the cannery project due to cost inefficiencies, which would free general and proprietary fund monies to be used for other areas. Based on current funding, termination of this program would result in yearly savings of approximately $70,000 in each of the general and proprietary fund annual budgets.

MCE does not have any means to recoup the financial loss incurred due to this program, as the only revenue generated is the payment from DPHHS for one-half of the funding. Closure of this program will result in loss of jobs for 2.00 FTE and approximately 12 inmates. It is the intent of MCE, should this program be terminated, that these positions would be moved to other MCE revenue producing programs, or to start new MCE revenue producing programs.

Note: The entire Food Bank Budget runs through MCE Ranch Proprietary account (06033), and MCE bills the Department of Health and Human Services for one half of the actual expenditures, per contract. Payment of the one-half of expenditures is recorded as revenue in the proprietary account.

# Department of Corrections 6401
# Montana Correctional Enterprises 04

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | und Nam | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06033 | Prison Ranch | 64010 | Dept. of Corrections | Montana Correctional Enterprises |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Net Fee Revenue | 3,343,668 | 2,485,690 | 2,694,306 | 2,682,000 | 2,700,000 | 2,600,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | - | - | - | - | - | - |
| Total Operating Revenues | 3,343,668 | 2,485,690 | 2,694,306 | 2,682,000 | 2,700,000 | 2,600,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 3,343,668 | 2,485,690 | 2,694,306 | 2,682,000 | 2,700,000 | 2,600,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 855,191 | 933,222 | 1,017,836 | 1,038,360 | 1,049,235 | 1,049,235 |
| Other Operating Expenses | 1,718,787 | 1,382,573 | 1,377,785 | 1,578,381 | 1,298,465 | 1,301,050 |
| Miscellaneous, operating | 253,738 | 266,320 | 277,376 | 250,000 | 250,000 | 250,000 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 2,827,716 | 2,582,115 | 2,672,997 | 2,866,741 | 2,597,700 | 2,600,285 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 2,827,716 | 2,582,115 | 2,672,997 | 2,866,741 | 2,597,700 | 2,600,285 |
| Operating Income (Loss) | **515,952** | **(96,425)** | **21,309** | **(184,741)** | **102,300** | **(285)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | 2,513 | 7,571 | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | (332,014) | 477,783 | (68,349) | - | - | - |
| Net Nonoperating Revenues (Expenses) | (332,014) | 480,296 | (60,778) | - | - | - |
| Income (Loss) Before Operating Transfers | 183,938 | 383,871 | (39,469) | (184,741) | 102,300 | (285) |
| Contributed Capital | 20,955 | 20,955 | - | - | - | - |
| Operating Transfers In (Note 13) | - | 425 | - | 78,500 | 78,500 | 78,500 |
| Operating Transfers Out (Note 13) | (17,506) | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 7,672,811 | 7,812,084 | 8,217,335 | 8,177,866 | 8,071,625 | 8,252,425 |
| Net Income (Loss) | 187,387 | 405,251 | (39,469) | (106,241) | 180,800 | 78,215 |
| Retained Earnings/Fund Balances - June 30 | **7,860,198** | **8,217,335** | **8,177,866** | **8,071,625** | **8,252,425** | **8,330,640** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 471,286 | 430,353 | 445,500 | 477,790 | 432,950 | 433,381 |

# Department of Corrections 6401
# Montana Correctional Enterprises 04

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | und Nam | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06034, 06545 | Prison Industries | 64010 | Dept. of Corrections | Secure Facilities |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Revenue from Fees | - | - | 2,889,002 | 3,333,806 | 2,835,000 | 2,835,000 |
| Net Fee Revenue | 2,659,771 | 2,819,132 | 2,889,002 | 3,333,806 | 2,835,000 | 2,835,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | - | - | - | - | - | - |
| Total Operating Revenues | 2,659,771 | 2,819,132 | 2,889,002 | 3,333,806 | 2,835,000 | 2,835,000 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 2,659,771 | 2,819,132 | 2,889,002 | 3,333,806 | 2,835,000 | 2,835,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 1,302,543 | 1,565,072 | 1,617,664 | 1,978,931 | 1,532,321 | 1,532,321 |
| Other Operating Expenses | 1,570,372 | 1,153,694 | 1,057,340 | 1,314,057 | 1,410,702 | 1,312,239 |
| Miscellaneous, operating | 15,808 | 37,352 | 27,850 | 12,672 | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 2,888,723 | 2,756,118 | 2,702,854 | 3,305,660 | 2,943,023 | 2,844,560 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 2,888,723 | 2,756,118 | 2,702,854 | 3,305,660 | 2,943,023 | 2,844,560 |
| Operating Income (Loss) | **(228,952)** | **63,014** | **186,148** | **28,146** | **(108,023)** | **(9,560)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | (2,044) | (8,257) | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | (2,044) | (8,257) | - | - | - |
| Income (Loss) Before Operating Transfers | (228,952) | 60,970 | 177,891 | 28,146 | (108,023) | (9,560) |
| Contributed Capital | 255,192 | 255,192 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | 2,345 | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 1,545,030 | 1,199,033 | 1,515,195 | 1,695,431 | 1,723,577 | 1,615,554 |
| Net Income (Loss) | 26,240 | 316,162 | 180,236 | 28,146 | (108,023) | (9,560) |
| Retained Earnings/Fund Balances - June 30 | **1,571,270** | **1,515,195** | **1,695,431** | **1,723,577** | **1,615,554** | **1,605,994** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 481,454 | 459,353 | 450,476 | 550,943 | 490,504 | 474,093 |

**Requested Rates for Enterprise Funds**
**Fee / Rate Information:**

The only established rates are in Industries (06034) are for the laundry operation. All other Industry rates are based on competitive pricing in the private sector.

| Laundry Rates | |
|---|---|
| Montana State Prison/Department of Corrections | $0.39 |
| Montana Developmental Center | $.46 (includes delivery) |
| Montana State Hospital | $.38 (includes delivery) |

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 2.00 | 0.00 | 0.00 | 2.00 | 0.00 | 0.00 | 2.00 |
| Personal Services | 79,672 | 8,200 | 0 | 87,872 | 7,956 | 0 | 87,628 |
| Operating Expenses | 87,116 | 679 | 0 | 87,795 | 399 | 0 | 87,515 |
| **Total Costs** | **$166,788** | **$8,879** | **$0** | **$175,667** | **$8,355** | **$0** | **$175,143** |
| Proprietary | 166,788 | 8,879 | 0 | 175,667 | 8,355 | 0 | 175,143 |
| **Total Funds** | **$166,788** | **$8,879** | **$0** | **$175,667** | **$8,355** | **$0** | **$175,143** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of MCIS is to deliver current career and labor market information to Montanans in an easy-to-use, easy-to-understand format. This is the only career information delivery system in the country that has specific Montana labor market information included in each file. MCIS is currently being used at over 200 sites throughout the state by a wide variety of users: job service offices, vocational rehabilitation offices, high schools, community colleges, universities, tribal colleges, education and training agencies, and adult education programs.

**Revenues and Expenses -** Working Capital = $23,946 for 60 days.

**Rate Explanation -** The Montana Career Information System (MCIS) is funded by user fees not to exceed $1,500 per site. Discounted rates are available for small schools and groups.

The Montana Career Information System (MCIS) is funded by user fees for software and licensing. High schools with enrollments over 200, all postsecondary schools, and all agencies and businesses are charged $1150 per year. Smaller high schools are charged $575-$977 depending on enrollment, and school districts are charged $2000 per year.

The fluctuation that appears in the total expenditures in this fund is due primarily to a biennial conference hosted by MCIS. The conference was held in FY 1997, FY 1999, and FY 2001 and will be held annually from then on. The conference is related to the MCIS program, but expenditures and revenues might not be recorded in this enterprise fund in the future.

## ------------------------------ Present Law Adjustments ------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $883 | FY04 | $0 |
| FY05 | $890 | FY05 | $0 |

**PL- 12 - Operating Increase -**
The executive recommends an increase in operating authority to cover increases in the agency's indirect cost allocation plan. This package also includes adjustments (reductions) to meet the general fund target for the agency. These reductions amount to $77,222 in FY 2004 and $77,223 in FY 2005 from the Apprenticeship Program.

# Labor & Industry-6602
# Work Force Services Division-01

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06051 | Montana Career Info System | 66020 | Dept. of Labor & Industry | Job Service |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Charges for Services | - | - | - | 173,590 | 175,667 | 175,143 |
| Net Fee Revenue | 135,686 | 162,772 | 173,590 | 173,590 | 175,667 | 175,143 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | - | - | 6 | - | - | - |
| Total Operating Revenues | 135,686 | 162,772 | 173,596 | 173,590 | 175,667 | 175,143 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 135,686 | 162,772 | 173,596 | 173,590 | 175,667 | 175,143 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 49,672 | 80,073 | 78,112 | 87,890 | 87,872 | 87,628 |
| Other Operating Expenses | 57,126 | 84,503 | 80,118 | 70,830 | 87,795 | 87,515 |
| Miscellaneous, operating | 8,912 | 12,971 | 10,574 | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 115,710 | 177,547 | 168,804 | 158,720 | 175,667 | 175,143 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 115,710 | 177,547 | 168,804 | 158,720 | 175,667 | 175,143 |
| Operating Income (Loss) | **19,976** | **(14,775)** | **4,792** | **14,870** | - | - |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | 19,976 | (14,775) | 4,792 | 14,870 | - | - |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 6,377 | 30,033 | 15,258 | 20,050 | 34,920 | 34,920 |
| Net Income (Loss) | 19,976 | (14,775) | 4,792 | 14,870 | - | - |
| Retained Earnings/Fund Balances - June 30 | **26,353** | **15,258** | **20,050** | **34,920** | **34,920** | **34,920** |
| 60 days of expenses | | | | | | |
| (Total Operating Expenses divided by 6) | 19,285 | 29,591 | 28,134 | 26,453 | 29,278 | 29,191 |

**Requested Rates for Enterprise Funds:**
Agency Number: 6602
Fund Number: 06051

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | Requested FY 04 | Requested FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Fee Group A | | | | | | | |
| Rate 1 (per unit) | | | | | | | |
| Educ Activity | 135,685 96 | 162,772 40 | 173,596.63 | 173,590 | 175,667 | 175,143 | |

# Labor & Industry-6602
# Unemployment Insurance Division-02

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Benefits & Claims | 83,801,111 | 0 | 0 | 83,801,111 | 0 | 0 | 83,801,111 |
| **Total Costs** | **$83,801,111** | **$0** | **$0** | **$83,801,111** | **$0** | **$0** | **$83,801,111** |
| Proprietary | 83,801,111 | 0 | 0 | 83,801,111 | 0 | 0 | 83,801,111 |
| **Total Funds** | **$83,801,111** | **$0** | **$0** | **$83,801,111** | **$0** | **$0** | **$83,801,111** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** The Unemployment Insurance Program administers the state unemployment insurance law and issues payments to claimants for temporary, partial wage replacement due to involuntary unemployment. The Proprietary fund is used to record the collections of Unemployment Insurance Contributions and to issue payments of the Unemployment Insurance Benefits.

**Revenues and Expenses -** The revenues received in the proprietary fund are for the Unemployment Insurance Program tax collections, federal reimbursement for claims on federal employees, military personnel, and claimants in other states, and interest earnings to the unemployment insurance trust fund. The expenditures are Unemployment Insurance Benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to have taken out of the benefit check.

**Rate Explanation -** The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but a collection of contributions from employers that are used to pay the Unemployment Insurance Benefits to claimants who have involuntarily become unemployed.

# Labor & Industry-6602
# Unemployment Insurance Division-02

**Report on Internal Service and Enterprise Funds, 2005 Biennium**

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06069 | Unemployment Insurance | 66020 | Dept. of Labor & Industry | UI Tax Benefit |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Revenue from Fee A | - | - | - | 100,000,000 | 83,801,111 | 83,801,111 |
| Net Fee Revenue | | | - | 100,000,000 | 83,801,111 | 83,801,111 |
| Investment Earnings | | | 11,413,436 | - | - | - |
| Securities Lending Income | | | - | - | - | - |
| Premiums | | | 59,727,918 | - | - | - |
| Other Operating Revenues | | | 30,831,758 | | | |
| Total Operating Revenues | - | - | 101,973,112 | - | - | - |
| Intrafund Revenue | | | - | - | - | - |
| Net Operating Revenues | - | - | 101,973,112 | - | - | - |
| **Operating Expenses:** | | | | | | |
| Personal Services | | | - | - | - | - |
| Other Operating Expenses | | | 83,775,353 | 100,000,000 | 83,801,111 | 83,801,111 |
| Miscellaneous, operating | | | - | - | - | - |
| Miscellaneous, other | | | - | - | - | - |
| Total Operating Expenses | | | 83,775,353 | 100,000,000 | 83,801,111 | 83,801,111 |
| Intrafund Expense | | | - | - | - | - |
| Net Operating Expenses | - | - | 83,775,353 | 100,000,000 | 83,801,111 | 83,801,111 |
| Operating Income (Loss) | - | - | **18,197,759** | **(100,000,000)** | **(83,801,111)** | **(83,801,111)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | | | - | - | - | - |
| Federal Indirect Cost Recoveries | | | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | | | | | | |
| Net Nonoperating Revenues (Expe | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfe | - | - | 18,197,759 | (100,000,000) | (83,801,111) | (83,801,111) |
| Capital Contribution | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | | | 177,577,032 | 195,774,791 | 95,774,791 | 11,973,680 |
| Net Income (Loss) | - | - | 18,197,759 | (100,000,000) | (83,801,111) | (83,801,111) |
| Retained Earnings/Fund Balances - June | - | - | **195,774,791** | **95,774,791** | **11,973,680** | **(71,827,431)** |
| 60 days of expenses (Total Operating Expenses divided by | - | - | 13,962,559 | 16,666,667 | 13,966,852 | 13,966,852 |

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ------Requested------ FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Fee Group A | | | | | | | |
| Unemployment Insurance Contributions | | | | ######### | 83,801,111 | 83,801,111 | MCA 39-51-401 |

This fund is shared by the Department of Revenue and Department of Labor & Industry. DOR collects the contributions paid by employers, based on their industry or individual experience rate, to pay for their Unemployment Insurance. DLI expends the funds by paying Unemployment Insurance benefit claims.

# Labor & Industry-6602
# Commissioner's Office/csd-03

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 48.00 | 0.00 | 0.00 | 48.00 | 0.00 | 0.00 | 48.00 |
| Personal Services | 1,877,951 | 202,699 | 0 | 2,080,650 | 200,116 | 0 | 2,078,067 |
| Operating Expenses | 663,038 | 4,310 | 0 | 667,348 | 9,069 | 0 | 672,107 |
| Equipment | 12,831 | 0 | 0 | 12,831 | 0 | 0 | 12,831 |
| **Total Costs** | **$2,553,820** | **$207,009** | **$0** | **$2,760,829** | **$209,185** | **$0** | **$2,763,005** |
| Proprietary | 2,553,820 | 207,009 | 0 | 2,760,829 | 209,185 | 0 | 2,763,005 |
| **Total Funds** | **$2,553,820** | **$207,009** | **$0** | **$2,760,829** | **$209,185** | **$0** | **$2,763,005** |

**Please note that a HB 2 section exists for this program.**

**Program Description** - Cost Allocation Plan (CAP) -- The Commissioner's Office and the Legal/Centralized Services Division are funded through a cost allocation plan under which the various other divisions in the agency are assessed a percentage of their personal services cost to support centralized functions. The services provided through this accounting entity are administration, accounting, purchasing, budgeting, personnel, training, mail distribution, and information services.

Input/Output Control Operations Functions -- The Legal/Centralized Services Division recovers costs of a unit called the Input/Output control Operations Function, which provides traffic control of data input, jobs for the mainframe computer system, and report output.

**Revenues and Expenses -**
1) Change in Services or Fees - There will no change.
2) Working Capital Discussion – FY 2004 60-days of personal services, operations, and miscellaneous operating less non-cash expenses equals approximately $472,264. This figure is the minimum amount necessary to maintain on-going operations. Our Working Capital balance is used in calculating the final CAP rate.
3) Fund Equity and Reserved Fund Balance - The program has no requirement to reserve fund balance.
4) Cash Flow Discussion - There is no cash flow fluctuation.

Cost allocation plan (CAP) charges fund centralized functions such as CSD administration, accounting, budgeting, technical services, personnel and training, legal services, and commissioner's office.

The CAP rate is determined by dividing projected personal service expenditures on FTE not supported by CAP revenue by the projected revenue needed to perform centralized services required for the agency.

Direct charges are for services that are easily identifiable and charged directly to the beneficiary of the service. Direct charges are estimated during the budget submission process, and actual costs incurred are charges to the appropriate division/bureau.

One of the two direct charge items is the charge by Technical Services Bureau to capture and print data from databases housed at ITSD for Unemployment Insurance Division and Workforce Service Division. Costs are estimated during budget submission and based upon prior years' actual costs.

The other direct charge is charged by Legal Services Bureau to Workforce Service Division for services that are specific and agreed to in advance.

# Labor & Industry-6602
# Commissioner's Office/csd-03

**Rate Explanation** - Cost Allocation Plan (CAP) - It is the intent of the Legislature that the rates charged for these functions be the rates agreed upon by the U.S. Department of Labor federal cost negotiator. It is anticipated that the assessment will be as much as 10 percent and 12 percent of a program's actual personal services costs incurred in FY 2004 and FY 2005.

Input/Output Control Operation Functions - Internal users are directly charged for the services received and are billed quarterly.

## -------------------------------- Present Law Adjustments --------------------------------

| General Fund Total | |
|---|---|
| FY04 | $0 |
| FY05 | $0 |

**PL- 11 - Misc. Operating Increase -**
This request includes an increase for the department's internal cost allocation plan that has been allocated among the different funds within this division responsible for paying into this pool.

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| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $13,250 | FY04 | $0 |
| FY05 | $13,250 | FY05 | $0 |

**PL- 16 - BSD Hearings -**
The executive recommends that the department be authorized sufficient authority to comply with the responsibilities created by SB 445 which transferred a portion of the Department of Commerce to the Department of Labor & Industry. Formerly, the Department of Justice Agency Legal Services performed all hearings for the boards and building codes through contracted services. DLI will be able to do the hearings at a cost-savings to the boards and Building Codes Bureau through the department's Hearings Bureau. The Hearings Bureau did not take over the hearings until three quarters of the way through the base year and this request is to bring the authority in line with the need.

# Labor & Industry-6602
# Commissioner's Office/csd-03

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | gency | Agency Name | Program Name |
|---|---|---|---|---|
| 06546, 06547, 06551, 06562, 06574 | L&I Central Services | 66020 | Dept. of Labor & Industry | CSD |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Cost Allocation Plan | - | - | - | 2,375,938 | 2,833,585 | 2,835,836 |
| Net Fee Revenue | 929,663 | 553,176 | (846,939) | 2,375,938 | 2,833,585 | 2,835,836 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 4,333 | 15,627 | 1,195,050 | - | - | - |
| Total Operating Revenues | 933,996 | 568,803 | 348,111 | 2,375,938 | 2,833,585 | 2,835,836 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 933,996 | 568,803 | 348,111 | 2,375,938 | 2,833,585 | 2,835,836 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 1,198,879 | 1,179,360 | 1,690,809 | 1,769,867 | 2,147,664 | 2,145,081 |
| Other Operating Expenses | 502,950 | 468,912 | 535,617 | 29,420 | 12,831 | 12,831 |
| Miscellaneous, operating | 27,235 | 24,199 | 37,372 | 576,651 | 673,090 | 677,924 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 1,729,064 | 1,672,471 | 2,263,798 | 2,375,938 | 2,833,585 | 2,835,836 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 1,729,064 | 1,672,471 | 2,263,798 | 2,375,938 | 2,833,585 | 2,835,836 |
| Operating Income (Loss) | **(795,068)** | **(1,103,668)** | **(1,915,687)** | - | - | - |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | (5,059) | (6,377) | - | - | - |
| Federal Indirect Cost Recoveries | 914,712 | 971,744 | 1,868,635 | - | - | - |
| Other Nonoperating Revenues (Expenses) | 316 | - | - | - | - | - |
| Net Nonoperating Revenues (Expense | 915,028 | 966,685 | 1,862,258 | - | - | - |
| Income (Loss) Before Operating Transfers | 119,960 | (136,983) | (53,429) | - | - | - |
| Contributed Capital | 10,947 | 10,947 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - | 345,215 | 465,176 | 339,140 | 285,711 | 285,711 | 285,711 |
| Net Income (Loss) | 130,907 | (126,036) | (53,429) | - | - | - |
| Retained Earnings/Fund Balances - June 3 | **476,122** | **339,140** | **285,711** | **285,711** | **285,711** | **285,711** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 288,177 | 278,745 | 377,300 | 395,990 | 472,264 | 472,639 |

Fee / Rate Information for Legislative Action:

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ------Requested----- FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Cost Allocation Plan | 929,663 | 553,176 | -849,939 | 2,375,938 | 2,833,585 | 2,835,836 | MCA 17-2-102 |
| Requested Rates for Internal Service Funds | 7.86% | 7.69% | 6.62% | 6.61% | 7.24% | 7.25% | |

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Benefits & Claims | 233,309 | 0 | 0 | 233,309 | 0 | 0 | 233,309 |
| Transfers | 33,203 | 0 | 0 | 33,203 | 0 | 0 | 33,203 |
| **Total Costs** | **$266,512** | **$0** | **$0** | **$266,512** | **$0** | **$0** | **$266,512** |
| Proprietary | 266,512 | 0 | 0 | 266,512 | 0 | 0 | 266,512 |
| **Total Funds** | **$266,512** | **$0** | **$0** | **$266,512** | **$0** | **$0** | **$266,512** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** The subsequent injury fund was established in 1973 to assist persons with disabilities in becoming employed, by offering a financial incentive to the employers who hire them. The incentive has a limit of 104 weeks of benefits paid by their Workers' Compensation carrier in the event of an on-the-job injury to the certified employee, thus minimizing workers' compensation expenses. Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana Workers' Compensation insurers, including self-insured employers, private insurers and the State Fund. The assessment is statutorily set (39-71-915, MCA) at the amount expended by the fund for the benefit payments plus the cost of administration in the previous calendar year, less other income. The assessment is allocated among insurers based on their compensation and medical payments for the previous calendar year. The fund balance is maintained at approximately $1 million to provide an operating balance for payment of benefits and administrative costs.

**Revenues and Expenses -** Beginning July 1, 1999, the fund is maintained by annual assessment of all Montana Workers' Compensation insurers, including self insured employers, private insurers and the State Fund. The assessment is allocated among insurers based on their compensation and medical payments for the previous calendar year.

**Rate Explanation -** The assessment is allocated among insurers based on their compensation and medical payments for the previous calendar year.

The SIF is authorized to assess insurers benefits paid losses reimbursed from the fund in the preceding calendar year and the expenses of administration less other income. For more detail see 39-71-915, MCA.

In FY 1998, the SIF ceased operating on a reserve basis and began to pay benefits on a "pay-as-you-go" basis. Subsequently, the retained earnings of the fund were distributed back to the insurance companies that had contributed to the fund. This was a one-time transfer to reduce the retained earnings balance to an operating level adequate to temporarily pay claims that are reimbursed by the insurance companies (See SB 375, L. 1997, for further explanation).

# Labor & Industry-6602
# Employment Relations Division-04

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06040 | Subsequent Injury Fund | 66020 | Dept. of Labor & Industry | Employment Relations |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Subsequent Injury Fund Assessment | - | - | - | 241,075 | 184,112 | 184,112 |
| Net Fee Revenue | (641) | 922 | 101,045 | 241,075 | 184,112 | 184,112 |
| Investment Earnings | 72,786 | 171,513 | 141,382 | 80,097 | 80,000 | 80,000 |
| Securities Lending Income | 26,036 | 31,318 | 17,879 | 17,800 | 17,800 | 17,800 |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | - | - | - | (15,400) | (15,400) | (15,400) |
| Total Operating Revenues | 98,181 | 203,753 | 260,306 | 323,572 | 266,512 | 266,512 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 98,181 | 203,753 | 260,306 | 323,572 | 266,512 | 266,512 |
| **Operating Expenses:** | | | | | | |
| Personal Services | - | - | - | - | - | - |
| Other Operating Expenses | 257,283 | 499,468 | 217,840 | 290,369 | 233,309 | 233,309 |
| Miscellaneous, operating | - | - | - | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 257,283 | 499,468 | 217,840 | 290,369 | 233,309 | 233,309 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 257,283 | 499,468 | 217,840 | 290,369 | 233,309 | 233,309 |
| Operating Income (Loss) | **(159,102)** | **(295,715)** | **42,466** | **33,203** | **33,203** | **33,203** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | (159,102) | (295,715) | 42,466 | 33,203 | 33,203 | 33,203 |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | (30,754) | (33,203) | (33,203) | (33,203) | (33,203) |
| Retained Earnings/Fund Balances - July 1 - As Restated | (128,626) | (287,728) | (614,197) | (604,934) | (604,934) | (604,934) |
| Net Income (Loss) | (159,102) | (326,469) | 9,263 | - | - | - |
| Retained Earnings/Fund Balances - June 30 | **(287,728)** | **(614,197)** | **(604,934)** | **(604,934)** | **(604,934)** | **(604,934)** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 42,881 | 83,245 | 36,307 | 48,395 | 38,885 | 38,885 |

**Requested Rate for Enterprise Funds**
**Fee/ Rate Information**

Agency Number: 6602
Fund Number: 06040

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ------Requested------ FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Fee: Plan I Insurers (SIF benefits to comp/med pd out) | 0 | 0 | 99,711 | 10,000 | 0 | 0 | MCA 39-71-915 |
| Fee: Plan II Insurers (SIF benefits to comp/med pd out) | 0 | 0 | 19,854 | 115,000 | 90,000 | 90,000 | MCA 39-71-915 |
| Fee: Plan III Insurer (SIF benefits to comp/med pd out) | 0 | 0 | 381 | 115,000 | 94,500 | 94,500 | MCA 39-71-915 |

# Labor & Industry-6602
# Business Standards Division-05

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 28.00 | 4.00 | 0.00 | 32 00 | 4.00 | 0.00 | 32.00 |
| Personal Services | 1,041,338 | 262,620 | 0 | 1,303,958 | 264,123 | 0 | 1,305,461 |
| Operating Expenses | 497,494 | (2,012) | 0 | 495,482 | (10,749) | 0 | 486,745 |
| Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Costs** | **$1,538,832** | **$260,608** | **$0** | **$1,799,440** | **$253,374** | **$0** | **$1,792,206** |
| State/Other Special | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proprietary | 1,538,832 | 260,608 | 0 | 1,799,440 | 253,374 | 0 | 1,792,206 |
| **Total Funds** | **$1,538,832** | **$260,608** | **$0** | **$1,799,440** | **$253,374** | **$0** | **$1,792,206** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** The Business Standards Division maintains an internal service fund to cover division and bureau level costs of operation that are common to the bureaus, boards and programs of the division. Common costs of operation are assessed through recharges to the various state special revenue accounts on an equitable basis, while attempting to reach a reasonable working capital reserve of approximately 60 days by the end of FY 2005.

**Proprietary Revenues and Expenditures –** Division level operating costs are assessed to the four bureaus on an FTE basis, with assessments as follows: BCB - 45.8 percent, WMB - 8.4 percent, HCLB - 20.8 percent and BOLB - 25.0 percent. BCB will pay 50 percent of its share of division level operating costs with HB 2 direct charges covering the personal services costs of the division administrator and division rent. The division level, bureau level and legal services operating costs assessments for HCLB and BOLB are passed through to the boards and programs located in each bureau on the basis of board/program-direct allocation of FTE. The allocation rate for the boards and programs in HCLB and BOLB are as follows:

| HCLB | Percent |
|---|---|
| Licensed Addiction Counselors | 4.64 |
| Bd. Of Chiropractors | 2.09 |
| Bd. Of Dentistry | 6.97 |
| Bd. Of Hearing Aid Dispensers | 1.16 |
| Bd. Of Respiratory Care Pract. | 0.92 |
| Bd. Of Altemative Health Care | 1.16 |
| Bd. Of Medical Examiners | 25.55 |
| Bd. Of Funeral Services | 1.39 |
| Bd. Of Nursing | 28.01 |
| Bd. Of Nursing Home Admin. | 1.86 |
| Bd. Of Optometry | 1.63 |
| Bd. Of Pharmacy | 11.61 |
| Bd. Of Veterinary Medicine | 1.63 |
| Bd. Of Psychologists | 1.86 |
| Bd. Of Speech Path. & Aud. | 1.39 |
| Bd. Of Radiologic Technologists | 1.62 |
| Bd. Of Social Workers & Prof. Coun. | 3.25 |
| Bd. Of Physical Therapy Examiners | 1.39 |
| Bd. Of Occupational Therapists | 0.71 |
| Bd. Of Clinical Lab. Science Pract. | 1.16 |
| | 100.00 |

| BOLB | Percent |
|---|---|
| Bd. Of Architects | 1.01 |
| Bd. Of Athletics | 0.67 |
| Bd. Of Barbers | 2.52 |
| Bd. Of Cosmetologists | 14.29 |
| State Electrical Bd. | 7.39 |
| Bd. Of Outfitters | 20.17 |
| Bd. Of Prof. Eng. & L.S. | 6.72 |
| Bd. Of Public Accountants | 6.72 |
| Bd. Of Realty Regulation | 17.65 |
| Bd. Of Real Estate Apprais. | 5.55 |
| Bd. Of Sanitarians | 0.16 |
| Bd. Of Priv. Sec. Pat. Off. | 1.68 |
| Bd. Of Landscape Architects | 0.17 |
| Bd. Of Plumbers | 6.05 |
| Fire Prev. Installers Lic. | 1.18 |
| Boiler, Blaster, Crane Lic. | 8.07 |
| | 100.00 |

The total 06552 fund amount requested for Business Standards Division, to be collected by recharges as discussed above, is $2,500,000 per fiscal year.

## -------------------------------- Present Law Adjustments -------------------------------

| | Total Agency Impact | | General Fund Total | |
|---|---|---|---|---|
| | FY04 | $177,279 | FY04 | $0 |
| | FY05 | $174,321 | FY05 | $0 |

**PL- 17 - BSD Administration/HB 576 -**

The department has created the Business Standards Division (BSD) with four bureaus to manage the reorganization adopted last session in SB 445. The reorganization has resulted in more efficient and effective provision of business services in Montana. This request is for the new BCD internal service fund, and an adjustment for the alternative pay plan is also included in this request.

# Labor & Industry-6602
# Business Standards Division-05

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06552 | Admin Services | 66020 | Dept. of Labor & Industry | Business Standards Division |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Cost Allocation Plan | - | - | - | 2,081,768 | 1,840,707 | 1,833,458 |
| Net Fee Revenue | 2,961,587 | 2,989,833 | 2,807,530 | 2,081,768 | 1,840,707 | 1,833,458 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 5,881 | 140 | - | - | - | - |
| Total Operating Revenues | 2,967,468 | 2,989,973 | 2,807,530 | 2,081,768 | 1,840,707 | 1,833,458 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 2,967,468 | 2,989,973 | 2,807,530 | 2,081,768 | 1,840,707 | 1,833,458 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 2,317,728 | 2,319,982 | 2,092,370 | 1,513,984 | 1,301,718 | 1,303,187 |
| Other Operating Expenses | 451,187 | 603,621 | 662,086 | - | - | - |
| Miscellaneous, operating | 166,061 | 181,287 | 187,568 | 567,784 | 538,989 | 530,271 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 2,934,976 | 3,104,890 | 2,942,024 | 2,081,768 | 1,840,707 | 1,833,458 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 2,934,976 | 3,104,890 | 2,942,024 | 2,081,768 | 1,840,707 | 1,833,458 |
| Operating Income (Loss) | **32,492** | **(114,917)** | **(134,494)** | - | - | - |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | (9,385) | (3,005) | - | - | - |
| Federal Indirect Cost Recoveries | 103,926 | 110,360 | 236,799 | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | 103,926 | 100,975 | 233,794 | - | - | - |
| Income (Loss) Before Operating Transfers | 136,418 | (13,942) | 99,300 | - | - | - |
| Contributed Capital | 47,208 | 47,208 | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 93,885 | 229,525 | 215,583 | 314,883 | 314,883 | 314,883 |
| Net Income (Loss) | 183,626 | 33,266 | 99,300 | - | - | - |
| Retained Earnings/Fund Balances - June 30 | **277,511** | **262,791** | **314,883** | **314,883** | **314,883** | **314,883** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 489,163 | 517,482 | 490,337 | 346,961 | 306,785 | 305,576 |

# Office Of Public Instruction-3501
# State Level Activities-06

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 20.15 | 2.00 | 1.25 | 23.40 | 2.00 | 1.25 | 23.40 |
| Personal Services | 936,814 | 105,990 | 67,266 | 1,110,070 | 106,072 | 67,121 | 1,110,007 |
| Operating Expenses | 669,123 | 157,298 | 67,789 | 894,210 | 100,311 | 67,934 | 837,368 |
| **Total Costs** | **$1,605,937** | **$263,288** | **$135,055** | **$2,004,280** | **$206,383** | **$135,055** | **$1,947,375** |
| Proprietary | 1,605,937 | 263,288 | 135,055 | 2,004,280 | 206,383 | 135,055 | 1,947,375 |
| **Total Funds** | **$1,605,937** | **$263,288** | **$135,055** | **$2,004,280** | **$206,383** | **$135,055** | **$1,947,375** |

**Please note that a HB 2 section exists for this program.**

**Program Description -** OPI Indirect Cost Pool - OPI's internal service fund (A/E 06512) is used to pool internal and statewide central service type costs that are charged back to all of OPI's state- and federally-funded programs using a pre-approved indirect cost rate.

**Revenue Description -** Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying an approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. Last fiscal year OPI federal programs contributed $819,356 (SABHRS revenue account 593400) towards the cost of "indirects"; general and other state-funded programs contributed $649,953 (SABHRS revenue account 520260). State and federal program payments to the indirect cost pool are recorded using SABHRS account 62827.

**Expense Description -** Costs of OPI operations that are paid from the indirect cost pool include:

- Termination payouts (vacation/comp time/sick leave) for all staff (except the State Superintendent and her personal staff).
- Services provided to OPI by other state agencies for a fee:
  - Depart. of Admin. (DofA) General Liability Insurance and Employee Bonds
  - DofA Warrant writing fees
  - DofA Payroll Service fees
  - DofA telephone equipment charges
  - DofA rent charge for common areas (bathrooms, halls, conference rooms)
  - Legislative Audit fees
  - DofA network service fees
  - Fish, Wildlife and Parks grounds maintenance fee\
  - SABHRS
- OPI's share of statewide indirect costs, allocated through a Statewide Cost Allocation Plan (SWCAP) prepared by the Department of Administration.
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, word processing, mail delivery and resource center services to all OPI programs. Operating costs associated with 19.55 positions are paid from the pool, including the cost of rent for space they occupy, office supplies, postage, long distance phone charges, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines and shared equipment, including maintenance contracts on that equipment.

**Working Capital Discussion -** Working Capital is not considered in the rate determination. Sufficient working capital is needed for cash flow during the first 30 - 45 days of the fiscal year.

**Fund Equity and Reserved Fund Balance -** There is no requirement to reserve fund balance. Management's objective is to maintain the minimum balance necessary for on-going operations. If a significant balance accumulates because direct expenses increase at a faster rate than indirect expenses, the approved rate will adjust downward to reduce the excess over time.

# Office Of Public Instruction-3501
## State Level Activities-06

**Rate Explanation** - OPI negotiates a three-year "predetermined rate" with the U.S. Department of Education. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The rate approved for fiscal years 2002 through 2004 is 17 percent. A new rate will be negotiated for the next three-year period based on actual costs incurred in fiscal year 2003. OPI's restricted indirect cost rate has been 17 percent since FY98 and is projected to remain the same through the next biennium.

**Significant Present Law** - No present law adjustments will have an affect on the requested rate. Additional authority is requested to pay for:

- Employee termination costs (removed from the base)
- Statewide indirect costs (not billed by Department of Administration in base year)
- 2.00 FTE in the Information Technology Services Division. Additional staff is needed to accommodate the workload increase that has resulted from an increase in OPI data management responsibilities under ESEA/NCLB. Revenue sufficient to pay for these additional services is included in OPI federal present law and new proposal decision packages.

### -------------------------------- Present Law Adjustments --------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $219,432 | FY04 | $0 |
| FY05 | $213,146 | FY05 | $0 |

**PL- 46 - General adjustments - Indirect cost pool -**
Additional authority of $219,432 for FY 2004 and $213,146 for FY 2005 is requested to pay on-going indirect costs that were removed from or otherwise not included in the Indirect Cost Pool base budget, and to fund 2.00 FTE in the Information Technology Services Division.

In order to comply with federal regulations (OMB Circular A-87) and a Legislative audit recommendation, effective July 1, 2000, OPI began paying termination costs for all OPI employees, except personal staff to the State Superintendent, out of the indirect cost pool. The cost of termination payouts is zero-based. Termination costs of $72,355 were paid in FY 2002. A budget of $75,000 is requested for termination costs paid in both FY 2004 and FY 2005.

The Department of Administration has not provided agencies a Statewide Cost Allocation Plan (SWACP) for fiscal year ended June 30, 2001, so there was no payment in the base year to the general fund for OPI's share of statewide indirect costs. Based on the plan completed for fiscal year ended June 30, 2000 we estimate this cost will be $43,000 in FY 2004 and FY 2005.

The Office of Public Instruction is requesting 2.00 FTE in the Information Technology Services Division, a grade 15 Programmer and a grade 15 network support specialist. The Office of Public Instruction's responsibilities for data management and reporting have expanded considerably as a result of new federal requirements under ESEA/NCLB. Additional staff is needed to keep pace with the additional workload that results from the new requirements. Although OPI has significantly increased its use of technology in recent years, no staff increase has been requested to provide additional technology support services since at least 1995.

Indirect cost recoveries from base adjustments and from federal administration funds provided under NCLB and other new grants will be more than adequate to fund this proposal.

### -------------------------------------- New Proposals --------------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $135,055 | FY04 | $0 |
| FY05 | $135,055 | FY05 | $0 |

**NP- 47 - Advanced Driver Education Program - HB 576 -**
Establish the budget for the Advanced Drivers Education program, an enterprise fund, in non HB 2 proprietary account. NP-45 removes the budget from HB 2. This request also includes a rate increase. The current fee is $200 to attend a full-day workshop/person and $125 to attend a half-day refresher/person. The proposed fee effective October of FY 2003 is $225 for a full-day workshop/person and $150 for a half-day refresher/person. A new contract for a driving facility will be negotiated for the 2003 season and is expected to increase considerably.

# Office Of Public Instruction-3501
# State Level Activities-06

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06512 | OPI Central Services | 35010 | Office of Public Instruction | State Level Activities |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Non-federal indirect cost recovery | 672,247 | 795,970 | 649,954 | 715,000 | 650,000 | 650,000 |
| Net Fee Revenue | 672,247 | 795,970 | 649,954 | 715,000 | 650,000 | 650,000 |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | - | - | - | - | - | - |
| Premiums | - | - | - | - | - | - |
| Other Operating Revenues | 2,754 | 1,834 | 2,087 | 2,100 | 2,100 | 2,100 |
| Total Operating Revenues | 675,001 | 797,804 | 652,041 | 717,100 | 652,100 | 652,100 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 675,001 | 797,804 | 652,041 | 717,100 | 652,100 | 652,100 |
| **Operating Expenses:** | | | | | | |
| Personal Services | 724,142 | 908,726 | 1,011,371 | 871,380 | 1,042,804 | 1,042,886 |
| Other Operating Expenses | 432,717 | 489,286 | 617,612 | 647,009 | 834,969 | 778,171 |
| Miscellaneous, operating | 75,527 | 51,971 | 51,346 | - | - | - |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 1,232,386 | 1,449,983 | 1,680,329 | 1,518,389 | 1,877,773 | 1,821,057 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 1,232,386 | 1,449,983 | 1,680,329 | 1,518,389 | 1,877,773 | 1,821,057 |
| Operating Income (Loss) | **(557,385)** | **(652,179)** | **(1,028,288)** | **(801,289)** | **(1,225,673)** | **(1,168,957)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | 667,975 | 685,727 | 819,356 | 900,000 | 1,140,000 | 1,140,000 |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | 667,975 | 685,727 | 819,356 | 900,000 | 1,140,000 | 1,140,000 |
| Income (Loss) Before Operating Transfers | 110,590 | 33,548 | (208,932) | 98,711 | (85,673) | (28,957) |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 133,712 | 244,302 | 277,850 | 68,918 | 167,629 | 81,956 |
| Net Income (Loss) | 110,590 | 33,548 | (208,932) | 98,711 | (85,673) | (28,957) |
| Retained Earnings/Fund Balances - June 30 | **244,302** | **277,850** | **68,918** | **167,629** | **81,956** | **52,999** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 205,398 | 241,664 | 280,055 | 253,065 | 312,962 | 303,510 |

**Requested Rates for Enterprise Funds**
**Fee / Rate Information:**

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ------Requested------ FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Fee Group A | | | | | | | |
| Rate 1 (per unit) | 17% | 17% | 17% | 17% | 17% | 17% | 17-3-111, MCA |
| Fee Group B | | | | | | | OMB Circular A-87 |
| Rate 2 (per unit) | 17% | 17% | 17% | 17% | 17% | 17% | 17-3-111, MCA |
| | | | | | | | OMB Circular A-87 |

Note:
OPI's indirect cost rate is negotiated with the U.S. Department of Education every three-years in accordance with federal regulations published in OMB Circular A-87, U.S. Department of Education General Administrative Requirements, and section 17-3-111, MCA. The restricted rate approved by the U.S. Department of Education for FY2002 - FY2004 is 17%. A new rate will be negotiated for the three-year period FY2005 - FY2007 based on actual FY2003 expenditures.

# Office Of Public Instruction-3501
# State Level Activities-06

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06067 | Advanced Drivers Education | 35010 | Office of Public Instruction | State Level Activities |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Full-Day Workshop Fee | - | - | 94,727 | 203,734 | 114,660 | 124,136 |
| Half-Day Refresher Fee | - | - | 5,238 | 11,266 | 6,340 | 6,864 |
| Facility Usage Fee | - | - | 1,450 | - | - | - |
| Net Fee Revenue | | | 101,415 | 215,000 | 121,000 | 131,000 |
| Investment Earnings | | | - | - | - | - |
| Securities Lending Income | | | - | - | - | - |
| Premiums | | | - | - | - | - |
| Other Operating Revenues | | | | | | |
| Total Operating Revenues | - | - | 101,415 | 215,000 | 121,000 | 131,000 |
| Intrafund Revenue | | | - | - | - | - |
| Net Operating Revenues | - | - | 101,415 | 215,000 | 121,000 | 131,000 |
| **Operating Expenses:** | | | | | | |
| Personal Services | | | 47,737 | 64,125 | 67,266 | 67,121 |
| Other Operating Expenses | Note. FY2002 operating expenditures are understated - actual operating $45,032 | | | | | |
| Miscellaneous, operating | | | 13,549 | 35,875 | 67,789 | 67,934 |
| Miscellaneous, other | | | - | - | - | - |
| Total Operating Expenses | | | | 100,000 | 135,055 | 135,055 |
| Intrafund Expense | | | - | - | - | - |
| Net Operating Expenses | - | - | - | 100,000 | 135,055 | 135,055 |
| Operating Income (Loss) | **-** | **-** | **101,415** | **115,000** | **(14,055)** | **(4,055)** |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | | | - | - | - | - |
| Federal Indirect Cost Recoveries | | | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | | | | | | |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | - | - | 101,415 | 115,000 | (14,055) | (4,055) |
| Capital Contribution | | | - | - | - | - |
| Operating Transfers In (Note 13) | | | 24,460 | | - | - |
| Operating Transfers Out (Note 13) | | | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | | | - | 125,875 | 240,875 | 226,820 |
| Net Income (Loss) | - | - | 125,875 | 115,000 | (14,055) | (4,055) |
| Retained Earnings/Fund Balances - June 30 | - | - | 125,875 | 240,875 | 226,820 | 222,765 |
| 60 days of expenses (Total Operating Expenses divided by 6) | - | - | - | 16,667 | 22,509 | 22,509 |

**Requested Rates for Enterprise Funds**

**Fee / Rate Information:**

| | FYE 00 | FYE 01 | FYE 02 | Budgeted FY 03 | ——Requested—— FY 04 | FY 05 | AUTHORITY |
|---|---|---|---|---|---|---|---|
| Fee Group A – Workshop Fees | | | | | | | |
| Full-Day Workshop (per person) | | | $200 | $225 | $225 | $225 | HB2 (2001L) |
| Half-Day Workshop (per person) | | | $125 | $150 | $150 | $150 | HB2 (2001L) |
| Fee Group B | | | | | | | |
| Rate 4 (per day) | | | $85 | $85 | n/a | n/a | HB2 (2001L) |
| Rate 5 (per day) | | | $25/$500 | $25/$500 | n/a | n/a | HB2 (2001L) |
| Rate 6 (per day) | | | $200 | $200 | n/a | n/a | HB2 (2001L) |
| Rate 7 (per day) | | | $1500/2000 | $1500/2000 | n/a | n/a | HB2 (2001L) |

Group A

This group represents the workshops we offer for advanceddriver education. It is typically a one-day workshop or a half-day refresher course It involves a driving track, four nstructors, and 10-12 vehicles.

Group B

These are the fees other users of the tract pad for use of thetrack. The OPI has served as a lead agency to schedule the driving tract for all users Starting February 2003, OPI will lease the track only for itself and will not be involved in sub-leasing the track to other users The owner/operator of thetrack will assume the role to rent the track to other users

Rate 4 – daily track rental for other government entities

Rate 5 – daily/yearly rental for high school programs to use the tract after hours or when not in use.

Rate 6 – daily track rental for non-profit organizations.

Rate 7 – daily track rental for profit organizations.

The lease for the current track owned by Fergus County in Lewistown ends February 2003 An RFP has been issued to locate and negotiate a contract for future track use. Rates will increase sharply as the RFP will require the owner to perform all maintenance and repair on the track. This will result in higher rates, which cannot be calculated until the lease rates are known. The rates listed above are our best estimate at this time. Intent is to keep the rates as low as possible while maintaining the viability of the program

# Commissioner Of Higher Ed-5102
# MUS Group Insurance Program-05

**05 Group Insurance**
Glen Leavitt x0329

## Proprietary Rates

| Program Proposed Budget<br>Budget Item | Base Budget Fiscal 2002 | PL Base Adjustment Fiscal 2004 | New Proposals Fiscal 2004 | Total Exec. Budget Fiscal 2004 | PL Base Adjustment Fiscal 2005 | New Proposals Fiscal 2005 | Total Exec. Budget Fiscal 2005 |
|---|---|---|---|---|---|---|---|
| FTE | 3.65 | 0.00 | 0.00 | 3.65 | 0.00 | 0.00 | 3.65 |
| Personal Services | 150,525 | 22,901 | 0 | 173,426 | 22,773 | 0 | 173,298 |
| Operating Expenses | 4,825,910 | 3,192 | 0 | 4,829,102 | 11,568 | 0 | 4,837,478 |
| Benefits & Claims | 32,181,501 | 14,153,414 | 0 | 46,334,915 | 22,346,928 | 0 | 54,528,429 |
| **Total Costs** | **$37,157,936** | **$14,179,507** | **$0** | **$51,337,443** | **$22,381,269** | **$0** | **$59,539,205** |
| Proprietary | 37,157,936 | 14,179,507 | 0 | 51,337,443 | 22,381,269 | 0 | 59,539,205 |
| **Total Funds** | **$37,157,936** | **$14,179,507** | **$0** | **$51,337,443** | **$22,381,269** | **$0** | **$59,539,205** |

**Program Description -** The Board of Regents provides faculty and staff with group benefits through the MUS Group Insurance Program. The commissioner is authorized by Board of Regents policy to administer the program as a self-insured, group insurance plan. All university system employees, retirees, and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits.

## ------------------------------ Present Law Adjustments ------------------------------

| Total Agency Impact | | General Fund Total | |
|---|---|---|---|
| FY04 | $14,153,414 | FY04 | $0 |
| FY05 | $22,346,928 | FY05 | $0 |

**PL- 51 - Increase in Estimated Claims -**
The adjustment is based on projected claims increases by the MUS Group Insurance Program.

# Commissioner Of Higher Ed-5102
# MUS Group Insurance Program-05

## Report on Internal Service and Enterprise Funds, 2005 Biennium

| Fund | Fund Name | Agency # | Agency Name | Program Name |
|---|---|---|---|---|
| 06009 | Flexible Spending Accounts | 51020 | MUS | Group Insurance Program |

| | Actual FY00 | Actual FY01 | Actual FY02 | Budgeted FY03 | Budgeted FY04 | Budgeted FY05 |
|---|---|---|---|---|---|---|
| **Operating Revenues:** | | | | | | |
| Fee revenue | | | | | | |
| Majority of revenue is from Premium- see below | - | - | - | - | - | - |
| Net Fee Revenue | - | - | - | - | - | - |
| Investment Earnings | - | - | - | - | - | - |
| Securities Lending Income | 3,634 | - | - | - | - | - |
| Premiums | 2,446,925 | 2,705,168 | 2,742,900 | 3,005,407 | 3,443,557 | 3,947,430 |
| Other Operating Revenues | - | - | - | - | - | - |
| Total Operating Revenues | 2,450,559 | 2,705,168 | 2,742,900 | 3,005,407 | 3,443,557 | 3,947,430 |
| Intrafund Revenue | - | - | - | - | - | - |
| Net Operating Revenues | 2,450,559 | 2,705,168 | 2,742,900 | 3,005,407 | 3,443,557 | 3,947,430 |
| **Operating Expenses:** | | | | | | |
| Personal Services | - | - | - | - | - | - |
| Other Operating Expenses | 2,444,652 | 2,686,283 | 2,540,000 | 2,921,000 | 3,359,150 | 3,863,023 |
| Miscellaneous, operating | 90,630 | 90,988 | 80,407 | 84,407 | 84,407 | 84,407 |
| Miscellaneous, other | - | - | - | - | - | - |
| Total Operating Expenses | 2,535,282 | 2,777,271 | 2,620,407 | 3,005,407 | 3,443,557 | 3,947,430 |
| Intrafund Expense | - | - | - | - | - | - |
| Net Operating Expenses | 2,535,282 | 2,777,271 | 2,620,407 | 3,005,407 | 3,443,557 | 3,947,430 |
| Operating Income (Loss) | **(84,723)** | **(72,103)** | **122,493** | - | - | - |
| **Nonoperating Revenues (Expenses):** | | | | | | |
| Gain (Loss) Sale of Fixed Assets | - | - | - | - | - | - |
| Federal Indirect Cost Recoveries | - | - | - | - | - | - |
| Other Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Net Nonoperating Revenues (Expenses) | - | - | - | - | - | - |
| Income (Loss) Before Operating Transfers | (84,723) | (72,103) | 122,493 | - | - | - |
| Contributed Capital | - | - | - | - | - | - |
| Operating Transfers In (Note 13) | - | - | - | - | - | - |
| Operating Transfers Out (Note 13) | - | - | - | - | - | - |
| Retained Earnings/Fund Balances - July 1 - As Restated | 295,901 | 211,178 | 139,075 | 261,568 | 261,568 | 261,568 |
| Net Income (Loss) | (84,723) | (72,103) | 122,493 | - | - | - |
| Retained Earnings/Fund Balances - June 30 | **211,178** | **139,075** | **261,568** | **261,568** | **261,568** | **261,568** |
| 60 days of expenses (Total Operating Expenses divided by 6) | 422,547 | 462,879 | 436,735 | 500,901 | 573,926 | 657,905 |

# INFORMATION TECHNOLOGY SUMMARY

**Statewide Overview** **IT Recommendations**
**IT Expenditure Accounts**

# Information Technology Recommendations

**Introduction** - Information technology budget recommendations are extracted from the total budget and presented separately in this Section. This portion of the executive budget is based on the requirements of **17-7-123(5), MCA**:

> "**Form of executive budget.** The budget submitted must set forth a balanced financial plan for funds subject to appropriation....The base level plan must consist of:
>
> (5) a statement containing recommendations of the governor for the ensuing biennium by program and disbursement category, including:
>
> (c) a summary of budget requests that include proposed expenditures on information technology resources. The summary must include funding, program references, and a decision package reference;"

For purposes of this summary, IT is broadly defined to include 64 expenditure accounts and all IT job codes, including, for example, consulting contracts, moving a telephone for a new employee, and lease payments on hardware. [See Table IT-1 and Table IT-2, respectively]

During the last quarter century, Montana state government agencies deployed information technology to pursue their missions to provide various services to the citizens of the state. For the most part, the efforts of these agencies were independent of each other, sometimes resulting in a duplication of systems and hardware. The needs of citizens and state government enterprise-wide solutions were not always considered when government made investments in information technology.

**State of Montana Strategic Plan for Information Technology** - The 2001 State Legislature recognized information technology as an enabler of government services and a critical component in state government ability to provide appropriate services to its citizens. However, the Legislature also recognized the complex and often overwhelming nature of controlling the growth and cost of state government's IT investments. This is due to the rapid pace of technology advancement, the complexity of implementing IT solutions, and the cost of acquiring and maintaining these systems.

In July 2001, the Montana Information Technology Act (SB 131) became effective. The act created the position of Chief Information Officer for the state and established guiding principles for the implementation of information technology in state government. A critical component of the act is the recognition by the Legislature and the Governor of the need for a single vision for information technology in state government. The act provides for the development of a strategic plan for information technology in state government. Planning is an integral piece for establishing the foundation for well-managed deployment and use of information technology in state government. In September 2001, the Information Technology Board, created by the act with broad representation, began the process of developing this information technology strategic plan. The State of Montana Strategic Plan for Information Technology provides the framework and guidance for state agencies to develop and use information technology resources to provide state government services.

The Montana Information Technology Act also requires that each state agency develop an information technology plan. Information from the individual agency plans, along with research and trend information, is used in the Strategic Plan for Information Technology. State agency plans and projects will be summarized in a companion document published by the Department of Administration Information Technology Services Division. The summaries provide specific agency technology goals and objectives information and outline the budget requirements for implementing the plans. The act also requires the Department of Administration to review and approve the agency plans and provide oversight for the state's procurement of information technology.

The Strategic Plan for IT should be viewed in concert with the agency IT plans and the state's IT budget. These documents, when considered together, document the State of Montana's plans for information technology now and in the future.

Following are some significant directions given to the Office of Budget and Program Planning by the 2001 Legislature in SB 131:

> **2-17-523, MCA: "Agency information technology plans - policy.** ...(3) New investments in information technology can be included in the governor's budget only if the project is contained in the approved agency information technology plan."

# Information Technology Recommendations

**2-17-526, MCA**: "**Information technology project budget summary.** (1) The office of budget and program planning, in cooperation with the department, shall prepare a statewide summary of major new information technology projects contained in the state budget. The office of budget and program planning and the department shall jointly determine the criteria for classifying a project as a major new information technology project. The information technology project summary must include:

(a) a listing by institution, agency, or branch of all major new information technology budget requests included in the state budget. Each information technology budget request included on the list must include:

(i) a description of what would be accomplished by funding the request;

(ii) the proposed amount of the request;

(iii) the funding source for the request; and

(iv) the proposed cost of operating new information technology systems.

(b) a listing of internal service rates proposed for providing information technology services. Each internal service rate included on the list must include:

(i) a description of the services provided; and

(ii) a breakdown, aggregated by fund type, of requests included in the state budget to support the rate.

(c) any other information as determined by the budget director or the department or as requested by the governor or the legislature.

(2) The information technology project summary must be presented to the legislative fiscal analyst in accordance with 17-7-111(4)."

**IT Project Summary Narrative** – In numerical order by agency, Table IT-1 below shows those agencies with recommended projects in the 2005 biennium executive budget that increase or decrease their IT programs in excess of $300,000 for the biennium.

**TABLE IT-1**

2005 Biennium Information Technology Budget Requests

| | Agency | Decision Package | General Fund | State Special Revenue | Federal Special Revene | Proprietary Funds | Total Cost |
|---|---|---|---|---|---|---|---|
| 2110 | Judiciary | NP 8001 - Judicial Branch Information Technology | | $3 408,917 | | | $3,408,917 |
| 3201 | Secretary of State | NP 2 - Information Technology Plan | | | | $1,055,000 | $1,055,000 |
| 4110 | Dept of Justice | NP 8003 - Motor Vehicle Registration Automation | | $3 900,000 | | | $3,900,000 |
| 5301 | Dept of Env. Quality | PL 88 Restore OTO Federal One Stop Grant - Biennial | | | $500,000 | | $500,000 |
| 5401 | Dept of Transportation | NP 102 - Integrated Financial Systems | | | $8,000,000 | | $8,000,000 |
| 5401 | Dept of Transportation | PL 5004 - Traffic Data Processing Software | | $98,376 | $301,624 | | $400,000 |
| 5801 | Dept of Revenue | NP 210 - Additional Funding for POINTS Maintenance | $500 000 | | | | $500,000 |
| 5801 | Dept of Revenue | NP 210, NP 609 - Discontinue POINTS Phase II | ($1,940,000) | | | | -$1,940,000 |
| 6101 | Dept of Administration | NP 701 - Public Safey Communications | | | $2,250,000 | | $2,250,000 |
| 6101 | Dept of Administration | NP 702 - Statewide Centerline Roadway GIS | | | | $518,449 | $518,449 |
| 6101 | Dept of Administration | NP 703 - Project Management Support | | | | $630,503 | $630,503 |
| | TOTAL | | -$1,440,000 | $7,407,293 | $11,051,624 | $2,203,952 | $19,222,869 |

## Judiciary:

### NP-8001 - Judicial Branch Information Technology

The Judiciary requests approximately $3.4 million state special revenue funding for the 2005 biennium to provide for branch-wide information technology needs. The existing automation program is scheduled to sunset June 30, 2003. LC 167 would repeal the sunset and increase the surcharge from five to ten dollars. The current charge generates revenues of approximately $1 million per year. Doubling the surcharge would generate enough revenue to offset the request of $3.4 million over the biennium. This decision package is based on passage and approval of LC 167.

# Information Technology Recommendations

This proposal includes funding to provide 14.00 IT staff, related start-up and operating costs, and replacement equipment.

The existing (until 6/30/03) automation program provides system support, training, workstations, file servers, connectivity, and software to all Montana courts. The current IT environment includes two software applications used in the courts. First, the Judicial Case Management System is an application developed by the Office of the Court Administrator and is the primary product used by District Courts and District Court Clerks to capture and report information, manage cases, and collect and distribute money related to district court operations. The second program supported by the IT division is "Full Court." Full Court is a program licensed from Justice Systems Incorporated that provides case management functionality to the limited jurisdiction courts. Full Court is currently operational in 16 limited courts.

Overall, the IT division uses available resources to provide the above described services and equipment to almost 1,000 state and county and city staff across the state.

## Secretary of State:

### NP-2 – Information Technology Plan

The Secretary of State's Corporations system, originally developed in 1982, stores 300,000 paper document files, some of which date back over 100 years. Staff use the system to respond to approximately 52,000 customer service calls each year. The public can access the information on-line as well. The system is used to distribute over 56,000 annual reports that are reviewed for compliance and entered back into the system. Compliance officers use the system to review another 60,000 documents for compliance with statutes that regulate registration of business structures including profit and nonprofit corporations, partnerships, limited partnerships, limited liability partnerships, limited liability companies, and professional limited liability companies, assumed business names and trademarks. This application is now 20 years old and ITSD no longer has the capabilities to support it. The project will be financed with existing proprietary resources. The estimated cost of the project is $1,055,000 for the 2005 biennium.

## Department of Justice:

### NP-8003 – Motor Vehicle Registration Automation

What will be accomplished? The department proposes to move forward with phase two of the registration automation project initiated last legislative session in HB 577. It will cost $18 million to reengineer the motor vehicle registration and driver license business processes and computer systems. The department requests this project be funded through another loan issued by the Board of Investments. The costs would be paid within 10 years from the date of issue. The debt service will be paid through an assessment of a $5 fee on every title transaction issued effective January 1, 2004. The department will request legislation. Authorization for $3.9 million in state special revenue for the biennium would be requested in HB 2 to repay the loan, so that is the amount shown in Table IT-1.

The current business processes and computer systems were designed in the 1980 and have been modified innumerable times. They are now complex, highly inefficient, and difficult to understand and maintain. In addition, the computer systems were designed separately and do not share common elements, like names and addresses. There are more than 11.4 million records in the driver license database and 60.4 million records in the title and registration database. With the combination of outdated systems and an expanded workload, these motor vehicle and driver licensing functions are increasingly dependent upon the DOJ Information Technology Services Division.

How will IT resources benefit the customers being served? The new motor vehicle titling and registration system will provide availability and reliability of motor vehicle information to state and national law enforcement communities, allowing them to enforce traffic laws with accurate, timely, and complete information. The new system offers architecture capable of rapid change in support of legislation; an integrated motor vehicle system that shares data among criminal justice agencies, law enforcement, courts, and corrections. The system will also protect the privacy rights of individuals that are guided by information technology security policies. Additionally, this updated system will reduce time spent registering vehicles at the County Treasurers Offices and allow online filing of dealer applications and electronic filing of reports. The public will have secure online access to document history and related information. The system will provide unified financial and inventory tracking at the county offices and the division.

# Information Technology Recommendations

Driver licensing improvements will include availability and reliability of driver license and history information to state and national law enforcement; automated written license testing for basic, motorcycle, and commercial drivers; integrated verification of eligibility of drivers licensing through the Commercial Drivers License Information System, Problem Drivers Pointer System, and the Social Security Administration; and reduced time waiting at driver licensing offices. This system will also provide for unified financial tracking and statistical analysis tools that support decision-making needs. Additionally, it provides efficient access for county attorneys and courts to driver's license record information. Individuals will have secure access to update their own address information.

At the customer's convenience, vehicles can be registered online or by telephone. It is estimated that over the counter motor vehicle registration costs individuals, the county and state, a total of $28, which is $18 more than processing a mail-in registration. Motor vehicle dealers will decrease expenses and time by filing their applications online. Providing the public secure online access to information will reduce trips to county offices and reduce phone calls, which will free up time for the counties to assist over-the-counter customers. These automation and system improvements will reduce the need for additional staff and reduce the workload backlogs. Additionally, an improved inventory system will reduce the quantity of excess materials needed to ensure adequate availability of license plates, decals, and forms.

What are the impacts if budget requests for IT expenditures are not approved? Costs will increase to support the current IT system due to its increasing obsolescence. The difficulties will increase to maintain compliance with federal and state mandates. The division will be restricted from providing better IT communications with other agencies, especially law enforcement. The inability to proceed with phase two will negatively affect the full benefit of the $.5 million investment in phase one, the new titling system. Without the new fully-integrated completed motor vehicle IT system, the State of Montana could lose five percent of its federal highway funding because of the state's inability to comply with the homeland security requirements for commercial driver licensing.

What are the intra- and inter-agency benefits of IT expenditures? Redesigned motor vehicle titling, registration and driver licensing business processes and computer systems will provide for greater efficiency and ease of support, expanded and more flexible business use, and easier interface with other applications. It will give the state and the counties statistical and accounting abilities they do not have with the current system and will benefit law enforcement, the courts, and county attorneys by providing improved access to complete and more accurate records. Additionally, this may provide counties opportunities to reduce their costs related to motor vehicle and driver licensing services.

What is the agency plan? The reengineering model now being used to update the titling system is based on the concept that project efforts will be driven by the business practices and needs, not by technology. All those involved in the process--employees, legislators, agencies, and others--will be included in developing strategies and plans. Also, the project will deliver usable changes in manageable increments, not all at once. Finally, no one vendor will be responsible for all major components of the project. The strengths of many vendors will be managed and leveraged by the state to ensure cost-effective and acceptable outcomes. This model and the project experience gained in the titling update effort will be beneficial in the second and final phase to update the business processes and computer systems. Additionally, phase two is very focused and closely aligned with the strategic goals and objectives of the recently issued State of Montana Strategic Plan for Information Technology with customer-focus, economic empowerment, strategic relationships, reliability, and effective management goals and objectives.

What are the estimated annual costs to operate and maintain the IT Project? This request for funding is based on discussions with other states that have recently implemented or are in the process of implementing similar systems. The range of cost/expense figures from those states is wide. By eliminating the extremes and adjusting for size and volume, the approximately $18 million initial cost seems on target for Montana. Costs for phase two are projected to be: estimated contractor costs $11,300,000; estimated wage differentials $750,000; hardware costs $2,200,000; software costs $900,000; education and training $375,000; facilities $375,000; travel and lodging $1,600,000; and operating expenses $500,000. These cost projections demonstrate a reasonable distribution of funding to support the development, implementation, and ongoing support necessary for the intended system. The number of variables that can significantly impact a project's cost is large. Once the project is launched, a first activity will be to research software vendors, other states, external users and platform vendors to begin to solidify the costing estimates. As the requirement gathering process takes place and the system's basic architecture is determined, precise costs can be derived and a budgeting process can be created to guide the project's scope.

The annual O & M costs are expected to increase once these systems are fully implemented. However, it is the DOJ's intention to use a cost model that earmarks approximately 10 percent of expected system development costs to cover about 24 months of post-implementation operational and maintenance costs that exceed current spending levels. This

strategy should allow the DOJ two biennia to identify exact costs and to plan and implement changes that will minimize the needed additional funding as well as to work with the administration and the Legislature in budgeting to prepare for any increase.

What are the resources and costs of upgrades to maintain the system? Twelve percent ($2,160,000) of the total amount being requested to build the new system will be earmarked for post-implementation support over a 24-month period. The 24 months represent a typical maturity cycle required for most new systems to become stable, to initially complete all phases, and to evolve needed maintenance to a less costly status. Within the targeted 24-month implementation timeframe, the department intends to also use the allocated legacy support funds provided by the 2005 biennium budgets. These monies will be used to support the parallel processing of the old and the new system until all functions within the new system are fully operational. Beginning with the 2007 biennium budget, a revised system support budget will be provided. It is expected that the 2007 budget request will be greater than the current legacy budget due to the advanced technology requirements, the enhanced skill set acquired by the support staff, and an increased effort to protect the $18 million invested in the new system.

## Department of Environmental Quality:

**PL-88 – Restore OTO Federal One Stop Grant - Biennial**

It is recommended that the one-time-only biennial appropriation of $500,000 federal grant funds be restored. This grant is furnished to states that have demonstrated initiative and the capability to further the goals of the U.S. Environmental Protection Agency (EPA) for information technology. The goals of the one stop program are to consolidate data, catalogue regulated entities, and provide for data sharing with other government agencies and the public. This grant will provide the department with additional resources to enhance on-going data conversions of air, water and waste databases into a department enterprise database.

The department received grant award on August 13, 2002. This activity is included in the agency's Strategic Plan for Information Technology. The department will begin work on the grant when EPA approves DEQ's Quality Assurance Plan.

## Department of Transportation:

**NP 102 Integrated Financial Systems**

Integration of the department's financial systems will eliminate redundancy and duplication of data entry and storage. This integration that will result through the implementation of an ERP platform called PeopleSoft will benefit MDT through increased accountability and efficiency. Implementation will enable the department to identify and monitor the costs of projects on an activity basis and to more readily share this information with the Legislature and the public. Moreover, the entire project will be developed in cooperation with ITSD so that products will be available for all agencies in the state government enterprise. It is anticipated that this DOT project will result in future savings for other agencies.

Financial System Integration is spelled out in the agency's IT Plan under Section F: "Summary of Planned IT Changes." Necessary levels of operations and maintenance will be determined as the project progresses and will be met using MDT and D of A resources. Resource needs for upgrades will be determined as the project progresses. Ongoing operation will be absorbed through current MDT resources.

Without approval of this $8 million recommendation, the department will continue to operate as usual, but cannot address the imminent demise of some existing systems, the loss of which would result in an inability to deliver the program. Also, without integration, the agency will lack the ability to measure the efficiency of our operations.

**PL-5004 – Traffic Data Processing Software**

This budget request totals $400,000 for the biennium for the purpose of developing a customized software package to meet DOT's traffic data needs.

The Transportation Planning Division is responsible for collecting, processing, maintaining, analyzing, and reporting virtually all of the traffic data necessary for use by various entities within the department. Other governmental entities and

the private sector are also users of this data. This includes volume, vehicle classification, weight, speed, and occupancy data that is collected at more than 4000 sites around the state.

Traffic data supports many critical DOT functions including pavement management, congestion management, safety management, bridge management, performance programming, systems impact analysis, pavement design, roadway design, traffic engineering, and vehicle weight enforcement.

DOT has been using a proprietary software package called TRADAS since 1996. The software is inefficient and has continually appearing "bugs". Vendor support is unacceptable. Despite constant and ongoing efforts to rectify the situation with the vendor (Chaparral Corporation), the software has never come close to operating at an acceptable level. DOT cannot generate consistent data output from this software, which causes considerable concern in our level of confidence. Based on poor vendor support and the fact that Chaparral Corporation is in Chapter 11 and may not even exist in the future, DOT has serious concerns that the software product will ever be completed satisfactorily.

Should DOT have chosen to continue using the TRADAS software, it would have required a budget request consisting of $36,000 per year for a vendor maintenance contract. A decision was made that no additional funding would be requested for TRADAS for the next biennium. Rather it was decided to request funding to develop a new traffic data processing software package that could be customized to meet DOT's precise needs, and very importantly, be supported through DOT's Information Services Bureau.

If this budget item is not approved by the legislature, DOT will not have a supported software package. We would continue to use TRADAS as our only alternative. However, since we are not asking for budget authority for continued maintenance, the first time TRADAS fails, we would be left without an operable software package. TRADAS is unstable and we experience software failures on a regular basis. We fully expect to continue to experience these failures.

TRADAS is included in the IT Plan on pages 12, 15 and 27. The new software would be supported through DOT's Information Services Bureau.

## Department of Revenue:

### NP-210 - Additional Funding for POINTS Maintenance

The FY 2002 base funding for IT consultant and professional staff in the department IT program was $329,000. These funds are used to contract for specific skill sets through the MIS services contract. Services include development, analysis and programming in the following areas: maintaining the Oracle based One Stop Licensing System; visual basic programming and development; POINTS production recovery functions and peak processing support; interface analysis and programming between mainframe and Oracle environments; Database Administration for POINTS and legacy systems.

The skill areas shown above are either under represented or not resident within the department's IT staff. Additional funding of $250,000 each fiscal year of the biennium will retain "resident" expert contract developers or programmer/analysts for highly complex modules in POINTS such as Accounting, Returns Processing, Case Management, and Forms & Correspondence. This amount, when added to base funding will cover the costs of five full-time IT consultant and professional staff at current MIS services contract rates.

This additional funding benefits our internal customers by maintaining systems that allow them to process our external customer's data such as issuing refunds, processing payments, processing returns, and sending out bills. Since the skills are not represented in the department's IT staff, without the additional IT staff, our internal customers would need to develop manual workarounds in order to process our external customer's data. This would then impact the department's ability to provide a timely response to our external customers.

These IT expenditures will support internal legacy interfaces among POINTS, Individual Income Tax, Corporation License Tax, etc. This staff will also support other agency interfaces with the Department of Labor and Industry's MISTICS, and One Stop interfaces with Department of Environmental Quality, Secretary of State, DPHHS, Agriculture, etc.

# Information Technology Recommendations

Please refer to the Department's IT Strategic Plan. On page 5 there is a list of the department's software applications and their maturity rating. On pages 6 through 8 there is a discussion on planned IT changes. These IT expenditures will help support and maintain these software applications and upgrade them to current technology.

**NP-210/ NP-809 - Discontinuation of POINTS Phase II**
Currently the department has 18.00 FTE in the information technology applications process. This number includes 16 programmer analysts and two managers. Of those, 11 programmer analysts and one manager are assigned to POINTS maintenance, augmented for the past three years by a 12 member full-time IT consultant and professional staff. This staffing level was consistent with the large-scale development effort the department had undertaken during this period. With the decision not to pursue funding to implement Phase II of the POINTS project, contractor-staffing levels will be reduced to 5.00 contract programmers. This combination of FTE and supplemental IT consultant and professional staff will be needed to perform POINTS maintenance over the next biennium. The decision to discontinue development of POINTS Phase II reduced the department's original budget request for IT related decision packages by $1.9 million.

**<u>Department of Administration:</u>**

**NP-701 - Public Safety Communications**
The state is required to take a leadership role with regard to planning for public safety communications systems used by state, local and federal entities in Montana. Implementing standards and interoperable systems are objectives that need to be met, as well as integrating radio, 9-1-1, and GIS technologies for improved emergency response for the public. Some of the benefits of this proposal are to provide improved citizen and public safety; provide improved communications among multi-jurisdictional entities in disaster response; to replace the existing non-interoperable two-way radio communication system with an interoperable statewide system; to replace existing equipment that is obsolete and cannot be replaced if or when broken; lower total overall long-term cost of ownership of these systems; to incorporate new FCC regulations regarding digital radio systems; and to incorporate new Federal NTIA regulations calling for narrow band spectrum systems. The funding requested for this proposal is $2,250,000 in federal funds for the biennium for 3.00 FTE and related operating expenses.

**NP-702/ NP-709 - Statewide Roadway Centerline GIS**
The Montana Geographic Information Council has determined that a statewide standardized, addressed, digital roadway database is a top priority in the overall development of the Montana Spatial Data Infrastructure (MSDI). This item requests a portion of the funding required to continue coordination of the enterprise effort to build, maintain and distribute digital roadway data. Some of the benefits from this effort are the development of effective and efficient strategic and business plans; coordination of multi-jurisdictional partners to leverage funding opportunities for database collection; development of the number one priority database required for a variety of applications related to public safety, emergency response (E-9-1-1), homeland security, and economic development. The project will utilize the highly successful implementation model of the Montana Cadastral Database. The recommended authority is just over $750,000 each year of the biennium, which includes 1.00 FTE and consulting services to be recovered through a combination of federal, state, private and local funds. This request includes $500,000 in HB 2 federal funding each year of which there is a base expenditure of $463,344 carried forward each year. In NP-709 ITSD is requesting new federal funding to bring the appropriation back to $500,000 per year. In related decision package NP-702, ITSD is requesting proprietary funding of $259,821 in FY 2004 and $258,628 in FY 2005.

**NP 703 - Project Management Support**
This request is for ITSD, with the collaboration of state agencies, to provide support and staff assistance in agency project management. Technology is changing rapidly and an increasing demand is being placed on information systems to deliver business solutions faster and with fewer resources. To meet these new demands, the state must ensure that major IT projects are conducted in a disciplined, well-managed, and consistent manner. Project management support will promote the delivery of quality products and result in projects that are completed on time and within budgets. The amount requested for this proposal is $315,355 in FY 2004 and $315,168 in FY 2005. This is for 1.00 FTE and consulting services and would be funded proportionately through all of the ITSD proprietary rates.

Table IT-2 on the following page shows the 60 expenditure accounts that are designated as under information technology rubric. Expenditure accounts are used for budgeting and recording actual expenses. Budgeting requests in these accounts populated Table IT-1

**Table IT -2**

IT Expenditure Accounts

| Account | Description |
|---|---|
| 62136 | IT Consulting & Professional Services |
| 62141 | Tape Storage Charges/DofA |
| 62142 | Disk Storage Charges/DofA |
| 62148 | SABHRS Costs/DofA |
| 62168 | Read/Write Computer Trans/DofA |
| 62171 | Mid-Tier Processing/DofA |
| 62172 | Computer Processing/DofA |
| 62173 | Computer Processing/Non-DofA |
| 62174 | Data Network Services/DofA |
| 62175 | System Development/DofA |
| 62176 | System Development/Non-DofA |
| 62177 | TSO CPU Seconds/DofA |
| 62178 | IDMS CPU Secons/DofA |
| 62180 | CICS CPU Seconds/DofA |
| 62181 | Data Network Services/Non-DofA |
| 62182 | Misc Info System Services/Non-DofA |
| 62183 | Operational Support/DofA |
| 62184 | Operational Support/Non-DofA |
| 62185 | Misc Info System Services/DofA |
| 62245 | Minor Computer Hardware (Unit Cost < $500) |
| 62249 | Minor Software |
| 62261 | MUS G&C Software ($1,000 - $4,999) |
| 62262 | MUS G&C Computer Hardware ($1,000 - $4,999) |
| 62268 | MUS G&C Office Equipment ($1,000 - $4,999) |
| 62296 | Computer Paper/Central Stores |
| 62319 | Cellular Phones |
| 62320 | Two-Way Video |
| 62322 | Teleconferences |
| 62370 | Telephone Equip Charge/DofA |
| 62371 | Telephone Equip Charge/Non-DofA |
| 62372 | Telephone Add/Move/Change |
| 62373 | Telephone Equip Maintenance |
| 62375 | Off Premise Extensions |
| 62376 | Local Voice Circuits |
| 62377 | Long Distance Voice Circuits |
| 62378 | Voice Circuit Add/Move/Change |
| 62379 | Local Data Circuits |
| 62380 | Long Distance Data Circuits |
| 62381 | Data Circuit/DofA |
| 62382 | Data Circuit Add/Move/Change |
| 62385 | Long Distance Charge/DofA |
| 62386 | Long Distance Charge/Non-DofA |
| 62387 | Credit Card Calls |
| 62388 | Local Calls |
| 62522 | Software Programs |
| 62743 | Multi-User Computers & Terminals |
| 62766 | Single User Computers |
| 62875 | MTP Bond Costs-Recovery (Not-used in 2005 Bien.) |
| 62876 | Education/Training IT Staff |
| 62892 | Electronic Information/Data |
| 63106 | Multi-User Comp & Terminals (Life> 1yr, Unit Cost > $5,000) |
| 63304 | Single User Computers - Lease |
| 63401 | Multi-User Software |
| 63402 | Single-User Software |
| 63403 | Software/Central Stores |
| 63502 | Installment Purchase - IT Equipment |
| 69303 | Lease Principal for IT Purchases |
| 69304 | Lease Interest for IT Purchases |
| 69403 | Installment Purchase Principal for IT Purchases |
| 69404 | Installment Purchase Interest for IT Purchases |

# REFERENCE

# Office of Budget and Program Planning
# Staff Listing

**Staff Assignments as of Nov. 15, 2002**

| Code | Agency | Executive Budget Analyst | Back-Up Staff |
|---|---|---|---|
| **Section A – General Government & Transportation** | | | |
| 1104 | Legislative Branch | Christi Moyer | Matt Bugni |
| 1112 | Consumer Council | Christi Moyer | Matt Bugni |
| 2110 | Judiciary | Matt Bugni | Christi Moyer |
| 2115 | Chiropractic Legal Panel | Christi Moyer | Matt Bugni |
| 3101 | Governor's Office | Matt Bugni | Christi Moyer |
| 3201 | Secretary of State | Christi Moyer | Matt Bugni |
| 3202 | Comm. of Political Practices | Christi Moyer | Matt Bugni |
| 3401 | State Auditor | Christi Moyer | Matt Bugni |
| 5401 | Dept. of Transportation | Amy Sassano | Matt Bugni |
| 5801 | Dept. of Revenue | Matt Bugni | Jane Hamman |
| 6101 | Dept. of Administration | Matt Bugni | Jane Hamman |
| 6102 | Appellate Defender | Christi Moyer | Matt Bugni |
| 6103 | State Fund | Kelly Gorin | Matt Bugni |
| 6104 | PERS (non-budgeted) | Kelly Gorin | Amy Sassano |
| 6105 | TRS (non-budgeted) | Kelly Gorin | Amy Sassano |
| **Section B – Public Health and Human Services** | | | |
| 6901 | Dept. of PHHS | Bob Andersen, Chuck Stohl & Chuck Swysgood | |
| **Section C – Natural Resources and Commerce** | | | |
| 5201 | Dept. of Fish, Wildlife & Parks | Kelly Gorin | Doug Schmitz |
| 5301 | Dept. of Environmental Quality | Doug Schmitz | Kelly Gorin |
| 5603 | Dept. of Livestock | Doug Schmitz | Kelly Gorin |
| 5706 | Dept. of Natural Resources and Cons. | Doug Schmitz | Kelly Gorin |
| 6201 | Dept. of Agriculture | Doug Schmitz | Kelly Gorin |
| 6501 | Dept. of Commerce | Doug Schmitz | Kelly Gorin |
| **Section D – Public Safety & Justice** | | | |
| 4107 | Crime Control Division | Brent Doig | Jane Hamman |
| 4110 | Dept. of Justice | Christi Moyer | Jane Hamman |
| 4201 | Public Service Regulation | Brent Doig | Christi Moyer |
| 6401 | Dept. of Corrections | Brent Doig | Jane Hamman |
| 6602 | Dept. of Labor & Industry | Brent Doig | Doug Schmitz |
| 6701 | Dept. of Military Affairs | Brent Doig | Christi Moyer |
| **Section E - Education** | | | |
| 3501 | OPI | Amy Carlson | Mark Bruno |
| 3511-5 | Colleges of Technology | Mark Bruno | Amy Carlson |
| 5101 | Board of Public Education | Amy Carlson | Mark Bruno |
| 5102 | Commissioner of Higher Education | Mark Bruno | Amy Carlson |
| 5103-8 | MUS Six Units | Mark Bruno | Amy Carlson |
| | Community Colleges and Research | Mark Bruno | Amy Carlson |
| 5109 | MAES | Mark Bruno | Amy Carlson |
| 5110 | MCES | Mark Bruno | Amy Carlson |
| 5111 | Forestry Experiment Station | Mark Bruno | Amy Carlson |
| 5112 | Bureau of Mines | Mark Bruno | Amy Carlson |
| 5113 | School for the Deaf & Blind | Amy Carlson | Mark Bruno |
| 5114 | Montana Arts Council | Mark Bruno | Amy Carlson |
| 5115 | State Library | Mark Bruno | Amy Carlson |
| 5117 | Montana Historical Society | Mark Bruno | Amy Carlson |
| 5119 | Fire Services Training School | Mark Bruno | Amy Carlson |
| **Section F – Long Range Planning** – 6107 + Bills | | Jane Hamman | Kelly Gorin |

# State of Montana Vision and Goals

THE VISION:

**WE MONTANANS WANT OUR STATE TO BE ECONOMICALLY VIBRANT, ENVIRONMENTALLY CLEAN AND SOCIALLY SECURE, WITH ROOM TO LIVE OUR INDIVIDUAL DREAMS IN THE 21ST CENTURY.**

THE GOALS:

- To protect and enhance the health, well-being and productivity of all Montanans.
- To preserve the environment and ensure wise, productive use of our natural resources.
- To build a solid foundation for educational opportunities and social and economic prosperity.
- To ensure the safety of our communities.

# Introduced Appropriations Bills

**2005 Biennium Executive Budget Bills**

| HB No. | LC No. | Brief Title of Legislation | Sponsor |
|---|---|---|---|
| 1 | 305 | Feed Bill | |
| 2 | 306 | General Appropriations Act | Dave Lewis |
| 3 | 307 | Supplemental Appropriations Bill | |
| 4 | 308 | Appropriations by Budget Amendment | |
| 5 | 309 | Long-range Building Appropriations | |
| 6 | 310 | Renewable Resource Grants | |
| 7 | 311 | Reclamation and Development Grants | |
| 8 | 312 | Renewable Resource Bonds and Loans | |
| 9 | 313 | Cultural & Aesthetic Grant Appropriations | |
| 10 | | Issue Bonds for Libby/Troy Reclamation (814) 5301 | |
| 11 | 314 | Treasure State Endowment Appropriations | |
| 12 | 316 | GO Bonds for Energy Conservation Program | |
| 13 | 317 | Pay Plan for State Employees | Dave Lewis |
| 16 | 320 | Supplemental for Fires and Emergencies | |

# All Other Legislation Requested

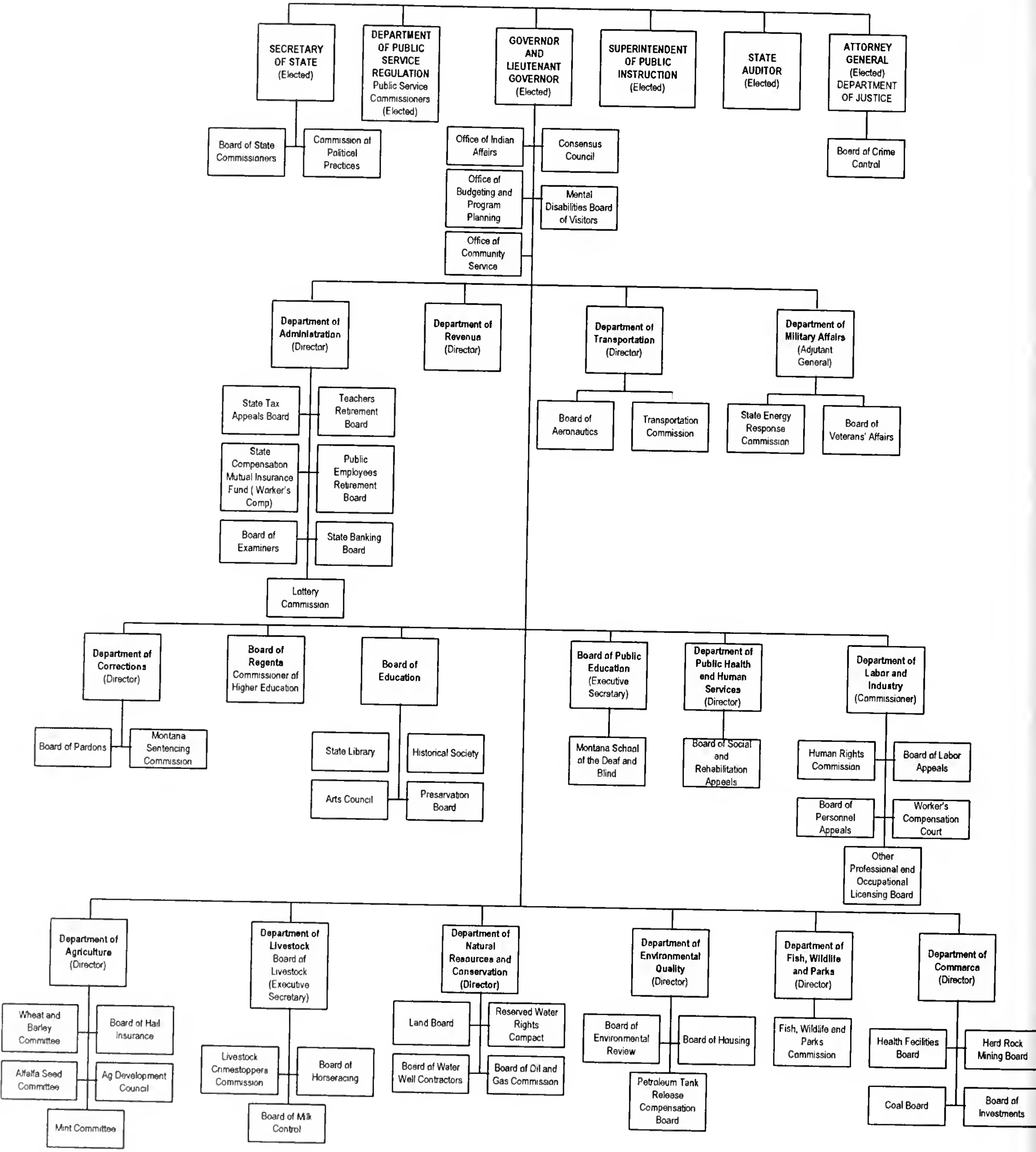
**2005 Biennium Executive Budget Bills**

| HB No. | LC No. | Brief Title of Legislation | Sponsor |
|---|---|---|---|
| | | **Budget Related Bills** | |
| 3101 | 321 | Increase Governor's Emergency Statutory Authority | |
| 3101 | 322 | Generally Revise Laws Governing Budgeting & Appropriations | |

**New Bills to Implement the Governor's Budget [By Agency Code]**

| Code | DP/LC | Brief Description | |
|---|---|---|---|
| 2110 | 167 | Judicial Branch Information Technology (8001) | |
| 3101 | 8108 | Mental Health Ombudsman discretionary appointee of Governor | |
| 3101 | 8109 | Eliminate Economic Development statutory appropriation | |
| 3101 | 803 | Transfer State-Tribal Economic Development state special rev to general fund | |
| 3101 | 804 | Repeal Advanced Telecommunications Tax credit | |
| 3101 | 805 | Extend HB10 revenue reallocations, eliminate Research & Commercialization, reduce Growth thru Ag 50% | |
| 3101 | 806 | Amend District Court variable costs shifted to state | |
| 3101 | 821 | Gov. Advisory Council on School Funding – three year average ANB | |
| 3101 | 822 | Gov. Advisory Council on School Funding – transportation funding Simplification and Adjust Block Grants | |
| 3101 | 823 | Teacher Loan Repayment Program | |
| 3101 | 824 | Divert 50% of TSEP to school facilities | |
| 3101 | 825 | Reallocate certain School Timber money (continue SS HB 4) | |
| 3101 | 827 | Retirement fund accounting changes | |
| 3101 | 828 | School entitlement increases & reduction in the DSA percentage | |
| 3101 | 829 | Adjust HB 124 block grants | |
| 3202 | 651 | Commissioner of Political Practices provides information electronically | Dale Mahlum |
| 3101 | 831 | Eliminate General Fund Transfer to DOT in FY 2004 and 2005 | |
| 4110 | 8001 | Criminal Justice Information System FTE/ background check fund switch | |
| 4110 | 8001 | Delay Requirement for New License Plates | Bob DePratu |
| 4110 | 8002 | One registration decal every four years | |
| 4110 | 801 | User surcharge in courts of original jurisdiction for MLEA (8003) | |
| 4110 | 8003 | Motor vehicle registration automation | |
| 5201 | 8213 | General recreation use of State Lands | |
| 5301 | 813 | Enforcement Fees to special revenue account | |
| 5301 | 8013 | Air Quality fees | |
| 5301 | 802 | Field office rent freeze (8002) | |
| 6201 | 8000 | Establish maximum and minimum apiary (Honey Bee) registration & inspection fees | |
| 6201 | 802 | Eliminate state public warehouse & commodity dealer licensing | |
| 6901 | 8063 | Pool & spa fees equalized | |
| 6901 | 8146 | Montana State Hospital restructuring | |
| 6901 | 801 | CSED handling fee for non-public obligees | |

# Executive Branch Organization



# Agency Budget Summary
# All Funds

Table R-1
AGENCY BUDGET SUMMARY HB 2 ALL FUNDS

| | Actual FY 02 | Budget FY 03 | Request FY 04 | Request FY 05 |
|---|---|---|---|---|
| **1104 LEGISLATIVE BRANCH** | | | | |
| LEGISLATIVE SERVICES | | | | |
| General Fund | 4,328,746 | 4,764,111 | 4,706,688 | 5,020,039 |
| State Special Revenue | 905,096 | 430,738 | 937,141 | 379,019 |
| AUDIT & EXAMINATION | | | | |
| General Fund | 1,852,926 | 1,945,079 | 2,201,055 | 2,265,860 |
| State Special Revenue | 1,245,863 | 1,422,996 | 1,402,859 | 1,304,460 |
| FISCAL ANALYSIS & REVIEW | | | | |
| General Fund | 1,141,131 | 1,194,428 | 1,262,791 | 1,309,657 |
| LEGIS. COMMITTEES & ACTIVITIES | | | | |
| General Fund | 348,012 | 322,057 | 999,614 | 0 |
| State Special Revenue | 27,084 | 50,201 | 0 | 0 |
| **Agency Totals** | **9,848,858** | **10,129,610** | **11,510,148** | **10,279,035** |
| **1112 CONSUMER COUNSEL** | | | | |
| ADMINISTRATION PROGRAM | | | | |
| State Special Revenue | 1,022,534 | 1,233,970 | 1,210,683 | 1,218,271 |
| **Agency Totals** | **1,022,534** | **1,233,970** | **1,210,683** | **1,218,271** |
| **2110 JUDICIAL BRANCH** | | | | |
| BOARDS AND COMMISSIONS | | | | |
| General Fund | 248,693 | 281,209 | 259,129 | 259,142 |
| State Special Revenue | 0 | 0 | 25,000 | 25,000 |
| CLERK OF COURT | | | | |
| General Fund | 295,484 | 351,671 | 372,962 | 372,862 |
| DISTRICT COURT OPERATIONS | | | | |
| General Fund | 5,086,166 | 16,876,265 | 24,379,042 | 25,250,501 |
| LAW LIBRARY | | | | |
| General Fund | 783,159 | 793,880 | 772,549 | 774,371 |
| SUPREME COURT OPERATIONS | | | | |
| General Fund | 2,941,468 | 2,982,101 | 3,054,720 | 3,040,540 |
| State Special Revenue | 55,000 | 1,084,447 | 1,897,342 | 1,871,019 |
| Federal Special Revenue | 373,587 | 419,664 | 390,684 | 390,018 |
| WATER COURTS SUPERVISION | | | | |
| State Special Revenue | 655,015 | 698,072 | 721,012 | 723,776 |
| **Agency Totals** | **10,438,572** | **23,487,309** | **31,872,440** | **32,707,229** |
| **2115 CHIROPRACTIC LEGAL PANEL** | | | | |
| LEGAL PANEL OPERATIONS | | | | |
| State Special Revenue | 3,776 | 15,000 | 15,000 | 15,000 |
| **Agency Totals** | **3,776** | **15,000** | **15,000** | **15,000** |
| **3101 GOVERNOR'S OFFICE** | | | | |
| EXECUTIVE OFFICE PROGRAM | | | | |
| General Fund | 2,198,563 | 2,315,272 | 2,348,275 | 2,288,490 |
| State Special Revenue | 215,398 | 294,951 | 545,105 | 553,214 |
| Federal Special Revenue | 30,280 | 31,926 | 95,444 | 95,427 |
| MANSION MAINTENANCE PROGRAM | | | | |
| General Fund | 79,645 | 80,964 | 79,521 | 79,504 |
| AIR TRANSPORTATION PROGRAM | | | | |
| General Fund | 171,870 | 176,960 | 177,880 | 180,000 |
| State Special Revenue | 16,000 | 16,000 | 41,000 | 41,000 |
| OFFICE OF BDGET & PGM PLANNING | | | | |
| General Fund | 993,984 | 1,135,397 | 1,074,177 | 1,067,025 |
| COORDINATOR OF INDIAN AFFAIRS | | | | |
| General Fund | 97,087 | 113,933 | 136,878 | 137,701 |
| State Special Revenue | 16,571 | 136,394 | 0 | 0 |
| Federal Special Revenue | 0 | 2,000,000 | 2,000,000 | 0 |
| LIEUTENANT GOVERNOR'S OFFICE | | | | |
| General Fund | 225,462 | 228,237 | 246,492 | 247,150 |
| CITIZENS ADVOCATE OFFICE | | | | |
| General Fund | 71,054 | 68,754 | 72,479 | 72,380 |
| Federal Special Revenue | 14,999 | 15,000 | 15,000 | 15,000 |
| MENTAL DISABILITIES BD VISITORS | | | | |
| General Fund | 209,151 | 201,894 | 205,939 | 205,801 |
| State Special Revenue | 0 | 7,200 | 0 | 0 |
| **Agency Totals** | **4,340,064** | **6,822,882** | **7,038,190** | **4,982,692** |
| **3202 COMMISSIONER OF POLITICAL PRACTICES** | | | | |
| ADMINISTRATION | | | | |
| General Fund | 331,665 | 354,800 | 322,913 | 317,525 |
| **Agency Totals** | **331,665** | **354,800** | **322,913** | **317,525** |

# Agency Budget Summary
# All Funds

Table R-1 (cont)
AGENCY BUDGET SUMMARY HB 2 ALL FUNDS

| 3202 COMMISSIONER OF POLITICAL PRACTICES | Actual FY 02 | Budget FY 03 | Request FY 04 | Request FY 05 |
|---|---|---|---|---|
| ADMINISTRATION | | | | |
| General Fund | 331,665 | 354,800 | 322,913 | 317,525 |
| Agency Totals | 331,665 | 354,800 | 322,913 | 317,525 |
| | | | | |
| **3401 STATE AUDITOR'S OFFICE** | | | | |
| CENTRAL MANAGEMENT | | | | |
| State Special Revenue | 451,554 | 553,195 | 537,539 | 532,435 |
| INSURANCE | | | | |
| State Special Revenue | 2,534,463 | 2,698,423 | 3,029,328 | 3,100,031 |
| SECURITIES | | | | |
| General Fund | 334,795 | 323,345 | 0 | 0 |
| State Special Revenue | 185,427 | 236,528 | 660,250 | 652,544 |
| **Agency Totals** | **3,506,239** | **3,811,491** | **4,227,117** | **4,285,010** |
| | | | | |
| **3501 OFFICE OF PUBLIC INSTRUCTION** | | | | |
| LOCAL EDUCATION ACTIVITIES | | | | |
| General Fund | 556,180,287 | 511,324,977 | 503,066,306 | 507,993,920 |
| State Special Revenue | 906,750 | 750,000 | 4,648,000 | 5,110,000 |
| Federal Special Revenue | 87,782,182 | 110,103,960 | 111,152,299 | 115,708,215 |
| STATE LEVEL ACTIVITIES | | | | |
| General Fund | 4,374,491 | 4,318,859 | 4,492,769 | 4,502,763 |
| State Special Revenue | 185,369 | 192,620 | 193,565 | 194,373 |
| Federal Special Revenue | 6,116,225 | 9,205,075 | 12,239,546 | 12,328,763 |
| Proprietary Fund | 90,791 | 100,000 | 0 | 0 |
| **Agency Totals** | **655,636,095** | **635,995,491** | **635,992,485** | **645,838,034** |
| | | | | |
| **4107 CRIME CONTROL DIVISION** | | | | |
| JUSTICE SYSTEM SUPPORT SERVICE | | | | |
| General Fund | 1,794,097 | 1,814,472 | 1,645,059 | 1,647,129 |
| Federal Special Revenue | 10,303,972 | 12,516,813 | 10,422,968 | 10,418,938 |
| **Agency Totals** | **12,098,069** | **14,331,285** | **12,068,027** | **12,066,067** |
| | | | | |
| **4110 DEPT OF JUSTICE** | | | | |
| CENTRAL SERVICES DIVISION | | | | |
| General Fund | 294,457 | 293,879 | 342,839 | 319,503 |
| State Special Revenue | 380,865 | 391,026 | 474,851 | 444,440 |
| Proprietary Fund | 13,862 | 14,205 | 16,286 | 15,179 |
| COUNTY ATTORNEY PAYROLL | | | | |
| General Fund | 1,634,822 | 1,674,855 | 1,623,340 | 1,623,340 |
| DIVISION OF CRIMINAL INVESTIGATION | | | | |
| General Fund | 3,456,108 | 3,295,211 | 2,425,722 | 2,434,049 |
| State Special Revenue | 356,722 | 367,200 | 1,538,251 | 1,542,236 |
| Federal Special Revenue | 1,309,844 | 1,383,918 | 1,867,775 | 1,857,562 |
| FORENSIC SCIENCE DIVISION | | | | |
| General Fund | 2,156,769 | 2,091,752 | 2,215,592 | 2,232,804 |
| State Special Revenue | 303,204 | 303,205 | 303,204 | 303,204 |
| Federal Special Revenue | 85,028 | 85,973 | 190,834 | 189,272 |
| GAMBLING CONTROL DIVISION | | | | |
| General Fund | 380,000 | 338,200 | 230,850 | 230,850 |
| State Special Revenue | 1,851,853 | 2,219,921 | 1,916,412 | 1,907,686 |
| Proprietary Fund | 665,827 | 759,981 | 782,759 | 779,196 |
| HIGHWAY PATROL DIVISION | | | | |
| General Fund | 1,164,745 | 939,429 | 1,166,994 | 1,203,293 |
| State Special Revenue | 16,614,943 | 18,199,965 | 18,322,702 | 18,510,577 |
| Federal Special Revenue | 771,999 | 846,341 | 819,383 | 822,589 |
| INFORMATION TECHNOLOGY SVCS DIVISION | | | | |
| General Fund | 2,900,485 | 2,876,886 | 2,891,996 | 2,898,367 |
| State Special Revenue | 768,893 | 656,387 | 1,059,482 | 1,059,264 |
| Federal Special Revenue | 179,456 | 453,594 | 163,309 | 162,947 |
| Proprietary Fund | 10,199 | 10,199 | 10,199 | 10,199 |
| LEGAL SERVICES DIVISION | | | | |
| General Fund | 3,439,681 | 3,366,306 | 3,750,475 | 3,361,539 |
| State Special Revenue | 366,095 | 399,638 | 306,668 | 307,823 |
| Federal Special Revenue | 353,722 | 382,471 | 505,479 | 505,504 |
| MOTOR VEHICLE DIVISION | | | | |
| General Fund | 8,220,327 | 1,784,104 | 8,696,111 | 8,658,976 |
| State Special Revenue | 439,054 | 8,054,916 | 5,628,198 | 432,198 |
| **Agency Totals** | **48,118,960** | **51,189,562** | **57,249,711** | **51,812,597** |

# Agency Budget Summary
# All Funds

Table R-1 (cont)
AGENCY BUDGET SUMMARY HB 2 ALL FUNDS

| | Actual FY 02 | Budget FY 03 | Request FY 04 | Request FY 05 |
|---|---|---|---|---|
| **4201 PUBLIC SERVICE REGULATION** | | | | |
| PUBLIC SERVICE REGULATION PROG | | | | |
| State Special Revenue | 2,533,459 | 3,381,868 | 2,773,630 | 2,658,407 |
| Federal Special Revenue | 12,507 | 14,193 | 13,782 | 13,634 |
| **Agency Totals** | **2,545,966** | **3,396,061** | **2,787,412** | **2,672,041** |
| **5101 BOARD OF PUBLIC EDUCATION** | | | | |
| ADMINISTRATION | | | | |
| General Fund | 166,141 | 175,677 | 157,206 | 154,935 |
| State Special Revenue | 12,041 | 12,041 | 14,988 | 14,837 |
| ADVISORY COUNCIL | | | | |
| State Special Revenue | 131,114 | 169,153 | 170,015 | 172,015 |
| **Agency Totals** | **309,296** | **356,871** | **342,209** | **341,787** |
| **5102 COMMISSIONER OF HIGHER EDUCATION** | | | | |
| ADMINISTRATION PROGRAM | | | | |
| General Fund | 1,372,744 | 1,226,979 | 1,347,010 | 1,320,545 |
| APPROPRIATION DISTRIBUTION | | | | |
| General Fund | 122,831,449 | 118,956,286 | 120,832,829 | 120,701,380 |
| State Special Revenue | 12,618,636 | 13,066,460 | 13,101,000 | 13,228,999 |
| BOARD OF REGENTS-ADMIN | | | | |
| General Fund | 53,852 | 44,448 | 51,889 | 51,889 |
| COMMUNITY COLLEGE ASSISTANCE | | | | |
| General Fund | 5,843,089 | 5,724,430 | 5,783,760 | 5,783,759 |
| DDE MATHEMATICS & SCI ED ACT | | | | |
| Federal Special Revenue | 47,821 | 407,666 | 308,033 | 308,033 |
| GUARANTEED STUDENT LOAN PGM | | | | |
| Federal Special Revenue | 29,100,167 | 43,139,110 | 32,252,488 | 35,253,958 |
| STUDENT ASSISTANCE PROGRAM | | | | |
| General Fund | 8,242,606 | 8,265,804 | 8,408,900 | 8,663,437 |
| Federal Special Revenue | 150,624 | 152,438 | 188,985 | 188,985 |
| TALENT SEARCH | | | | |
| General Fund | 83,839 | 92,450 | 92,348 | 92,228 |
| Federal Special Revenue | 2,391,510 | 3,805,585 | 2,459,019 | 2,458,887 |
| TRIBAL COLLEGE ASSISTANCE PROGRAM | | | | |
| General Fund | 96,500 | 0 | 96,500 | 0 |
| WORK FORCE DEVELOPMENT PGM | | | | |
| General Fund | 65,279 | 98,819 | 74,299 | 74,299 |
| Federal Special Revenue | 7,721,501 | 6,355,637 | 6,812,119 | 6,812,607 |
| **Agency Totals** | **190,619,617** | **201,336,112** | **191,809,179** | **194,939,006** |
| **5113 MONTANA SCHOOL FOR THE DEAF AND BLIND** | | | | |
| ADMINISTRATION PROGRAM | | | | |
| General Fund | 312,296 | 338,562 | 331,629 | 306,718 |
| State Special Revenue | 0 | 0 | 581 | 987 |
| EDUCATION | | | | |
| General Fund | 1,966,094 | 1,792,715 | 1,825,597 | 1,844,358 |
| State Special Revenue | 235,065 | 318,065 | 341,095 | 341,095 |
| Federal Special Revenue | 63,898 | 63,898 | 68,944 | 68,944 |
| GENERAL SERVICES PROGRAM | | | | |
| General Fund | 317,028 | 318,722 | 348,876 | 347,055 |
| STUDENT SERVICES | | | | |
| General Fund | 911,077 | 957,296 | 1,000,393 | 1,008,364 |
| State Special Revenue | 0 | 28,000 | 0 | 0 |
| Federal Special Revenue | 25,000 | 25,000 | 27,752 | 27,752 |
| **Agency Totals** | **3,830,458** | **3,842,258** | **3,944,867** | **3,945,273** |
| **5114 MONTANA ARTS COUNCIL** | | | | |
| PROMOTION OF THE ARTS | | | | |
| General Fund | 339,050 | 319,085 | 300,341 | 301,507 |
| State Special Revenue | 140,829 | 137,416 | 158,100 | 153,223 |
| Federal Special Revenue | 464,530 | 490,471 | 599,116 | 599,086 |
| **Agency Totals** | **944,409** | **946,972** | **1,057,557** | **1,053,816** |
| **5115 STATE LIBRARY** | | | | |
| NATURAL RESOURCE INFO SYSTEM | | | | |
| General Fund | 86,441 | 91,271 | 0 | 0 |
| State Special Revenue | 498,919 | 505,031 | 0 | 0 |
| Federal Special Revenue | 30,000 | 30,000 | 0 | 0 |
| STATEWIDE LIBRARY RESOURCES | | | | |
| General Fund | 1,687,655 | 1,703,710 | 1,895,629 | 1,639,776 |
| State Special Revenue | 167,502 | 117,614 | 814,815 | 785,700 |
| Federal Special Revenue | 906,567 | 1,044,826 | 1,705,694 | 780,694 |
| **Agency Totals** | 3,377,084 | 3,492,452 | 4,416,138 | 3,206,170 |

# Agency Budget Summary
# All Funds

Table R-1 (cont)
AGENCY BUDGET SUMMARY HB 2 ALL FUNDS

| 5117 MONTANA HISTORICAL SOCIETY | Actual FY 02 | Budget FY 03 | Request FY 04 | Request FY 05 |
|---|---|---|---|---|
| ADMINISTRATION PROGRAM | | | | |
| General Fund | 800,732 | 827,606 | 880,840 | 865,502 |
| State Special Revenue | 184,030 | 218,263 | 184,531 | 184,938 |
| Federal Special Revenue | 92,075 | 98,342 | 94,000 | 94,000 |
| Proprietary Fund | 44,086 | 82,606 | 101,682 | 101,726 |
| HISTORIC PRESERVATION PROGRAM | | | | |
| General Fund | 64,909 | 61,877 | 45,303 | 46,339 |
| Federal Special Revenue | 591,672 | 799,934 | 646,557 | 647,402 |
| LEWIS & CLARK BICENTENNIAL | | | | |
| State Special Revenue | -916 | 100,000 | 0 | 0 |
| LIBRARY PROGRAM | | | | |
| General Fund | 595,418 | 601,931 | 597,072 | 597,010 |
| State Special Revenue | 2,808 | 2,808 | 2,819 | 2,824 |
| Proprietary Fund | 51,306 | 61,084 | 56,199 | 56,242 |
| MUSEUM PROGRAM | | | | |
| General Fund | 289,129 | 296,323 | 181,401 | 181,694 |
| State Special Revenue | 240,549 | 259,805 | 352,983 | 356,554 |
| Proprietary Fund | 6,624 | 7,618 | 6,700 | 6,712 |
| PUBLICATIONS PROGRAM | | | | |
| General Fund | 53,652 | 53,506 | 46,752 | 46,752 |
| Proprietary Fund | 670,888 | 727,768 | 731,504 | 734,501 |
| **Agency Totals** | **3,686,962** | **4,199,471** | **3,928,343** | **3,922,196** |
| | | | | |
| 5201 DEPT OF FISH, WILDIFE AND PARKS | | | | |
| ADMINISTRATION & FINANCE DIV | | | | |
| State Special Revenue | 5,748,821 | 5,882,722 | 6,018,436 | 6,043,854 |
| Federal Special Revenue | 1,200,727 | 1,227,317 | 1,609,130 | 1,601,074 |
| CONSERVATION EDUCATION DIV | | | | |
| General Fund | 2,563 | 2,562 | 0 | 0 |
| State Special Revenue | 1,770,966 | 1,866,647 | 1,981,607 | 1,827,515 |
| Federal Special Revenue | 639,209 | 712,232 | 792,738 | 792,738 |
| DEPARTMENT MANAGEMENT | | | | |
| State Special Revenue | 2,660,954 | 2,764,518 | 3,631,926 | 2,915,383 |
| Federal Special Revenue | 899,032 | 927,943 | 2,602,842 | 1,166,959 |
| ENFORCEMENT DIVISION | 6,105,083 | 6,396,174 | 6,668,803 | 6,693,689 |
| State Special Revenue | 246,311 | 293,321 | 304,467 | 308,051 |
| Federal Special Revenue | | | | |
| FIELD SERVICES DIVISION | | | | |
| State Special Revenue | 5,752,988 | 7,471,831 | 8,119,966 | 8,067,121 |
| Federal Special Revenue | 720,042 | 740,562 | 854,377 | 855,780 |
| FISHERIES DIVISION | | | | |
| State Special Revenue | 3,355,966 | 3,486,652 | 3,824,225 | 3,924,641 |
| Federal Special Revenue | 3,723,338 | 3,988,971 | 7,279,202 | 7,248,450 |
| PARKS DIVISION | | | | |
| General Fund | 279,253 | 274,929 | 255,430 | 256,437 |
| State Special Revenue | 4,831,807 | 4,809,916 | 5,389,078 | 5,074,935 |
| Federal Special Revenue | 228,916 | 302,686 | 332,371 | 332,371 |
| WILDLIFE DIVISION | | | | |
| State Special Revenue | 3,744,788 | 3,970,876 | 4,300,420 | 4,334,873 |
| Federal Special Revenue | 3,420,317 | 3,584,508 | 4,424,596 | 4,475,601 |
| **Agency Totals** | 45,331,081 | **48,704,367** | 58,389,614 | 55,919,472 |
| | | | | |
| 5301 DEPT OF ENVIRONMENTAL QUALITY | | | | |
| CENTRAL MANAGEMENT PROGRAM | | | | |
| General Fund | 124,938 | 146,278 | 276,844 | 277,796 |
| State Special Revenue | 182,767 | 230,200 | 1,502,611 | 229,376 |
| Federal Special Revenue | 165,630 | 224,052 | 706,553 | 208,158 |
| PLAN PREVENT & ASSIST DIV | | | | |
| General Fund | 1,802,567 | 2,134,079 | 1,878,978 | 1,861,691 |
| State Special Revenue | 830,747 | 1,222,816 | 1,292,836 | 1,297,296 |
| Federal Special Revenue | 7,021,667 | 8,928,987 | 9,716,043 | 9,681,378 |
| ENFORCEMENT DIVISION | | | | |
| General Fund | 464,433 | 458,114 | 414,689 | 418,299 |
| State Special Revenue | 142,824 | 157,855 | 213,939 | 215,971 |
| Federal Special Revenue | 262,891 | 317,729 | 330,435 | 332,853 |
| REMEDIATION DIVISION | | | | |
| State Special Revenue | 4,058,044 | 5,502,774 | 5,028,886 | 4,733,066 |
| Federal Special Revenue | 5,784,327 | 7,954,500 | 7,049,929 | 6,637,090 |
| PERMITTING & COMPLIANCE DIV | | | | |
| General Fund | 1,155,004 | 1,194,293 | 977,832 | 976,368 |
| State Special Revenue | 17,280,520 | 34,222,380 | 45,281,122 | 9,044,328 |
| Federal Special Revenue | 2,982,206 | 3,755,322 | 8,486,220 | 4,549,068 |
| Agency Totals | 42,258,565 | 66,449,379 | 83,156,917 | 40,462,738 |

# Agency Budget Summary
# All Funds

Table R-1 (cont)
AGENCY BUDGET SUMMARY HB 2 ALL FUNDS

| 5401 DEPT OF TRANSPORTATION | Actual FY 02 | Budget FY 03 | Request FY 04 | Request FY 05 |
|---|---|---|---|---|
| GENERAL OPERATIONS PROGRAM | | | | |
| State Special Revenue | 11,156,774 | 13,006,658 | 14,607,155 | 14,973,540 |
| Federal Special Revenue | 6,294,941 | 6,367,324 | 9,422,198 | 9,422,277 |
| CONSTRUCTION PROGRAM | | | | |
| State Special Revenue | 57,229,272 | 89,968,961 | 115,919,945 | 137,158,180 |
| Federal Special Revenue | 266,277,412 | 339,078,624 | 311,662,142 | 291,992,207 |
| MAINTENANCE PROGRAM | | | | |
| State Special Revenue | 73,481,092 | 81,565,837 | 81,335,243 | 81,628,131 |
| Federal Special Revenue | 4,091,721 | 6,089,497 | 10,038,652 | 10,038,652 |
| MOTOR CARRIER SERVICES DIV. | | | | |
| State Special Revenue | 4,775,648 | 5,244,281 | 5,247,636 | 5,293,111 |
| AERONAUTICS PROGRAM | | | | |
| State Special Revenue | 1,048,441 | 1,513,994 | 2,026,704 | 823,385 |
| Federal Special Revenue | 0 | 498,000 | 3,600,000 | 0 |
| TRANSPORTATION PLANNING DIVISI | | | | |
| State Special Revenue | 1,567,357 | 2,983,883 | 2,966,105 | 2,547,716 |
| Federal Special Revenue | 6,717,382 | 17,107,679 | 9,158,410 | 8,984,315 |
| **Agency Totals** | **432,640,040** | **563,424,738** | **565,984,190** | **562,861,514** |
| | | | | |
| 5603 DEPT OF LIVESTOCK | | | | |
| CENTRALIZED SERVICES PROGRAM | | | | |
| General Fund | 14,204 | 22,356 | 0 | 0 |
| State Special Revenue | 1,875,111 | 2,075,974 | 2,053,387 | 2,041,821 |
| Federal Special Revenue | 92,562 | 90,292 | 65,030 | 65,030 |
| DIAGNOSTIC LABORATORY | | | | |
| General Fund | 109,381 | 189,886 | 99,525 | 99,525 |
| State Special Revenue | 1,214,943 | 1,267,158 | 1,350,017 | 1,332,614 |
| Federal Special Revenue | 9,240 | 18,097 | 0 | 0 |
| ANIMAL HEALTH DIVISION | | | | |
| State Special Revenue | 595,917 | 717,039 | 680,465 | 654,484 |
| Federal Special Revenue | 0 | 0 | 1,050,000 | 1,050,000 |
| MILK & EGG PROGRAM | | | | |
| State Special Revenue | 243,025 | 260,765 | 210,163 | 236,940 |
| Federal Special Revenue | 25,275 | 26,111 | 32,275 | 32,275 |
| BRANDS ENFORCEMENT DIVISION | | | | |
| State Special Revenue | 2,691,827 | 2,753,049 | 2,804,358 | 2,756,738 |
| MEAT/POULTRY INSPECTION | | | | |
| General Fund | 398,104 | 416,817 | 428,580 | 432,093 |
| State Special Revenue | 1,791 | 1,844 | 6,475 | 6,475 |
| Federal Special Revenue | 397,796 | 423,924 | 428,581 | 432,094 |
| **Agency Totals** | **7,669,176** | **8,263,312** | **9,208,856** | **9,140,089** |
| | | | | |
| 5706 DEPT OF NATURAL RESOURCE & CONSERVATION | | | | |
| CENTRALIZED SERVICES | | | | |
| General Fund | 1,700,915 | 1,228,974 | 1,925,116 | 1,874,334 |
| State Special Revenue | 425,067 | 453,259 | 407,200 | 407,200 |
| Federal Special Revenue | 105,000 | 105,000 | 118,300 | 75,000 |
| OIL & GAS CONSERVATION DIV. | | | | |
| State Special Revenue | 922,411 | 1,090,422 | 1,685,731 | 1,452,653 |
| Federal Special Revenue | 103,944 | 110,000 | 0 | 0 |
| CONSERVATION/RESOURCE DEV DIV | | | | |
| General Fund | 1,853,238 | 790,707 | 2,335,161 | 2,339,464 |
| State Special Revenue | 1,488,252 | 2,599,656 | 1,332,308 | 1,230,536 |
| Federal Special Revenue | 177,708 | 161,651 | 200,557 | 218,814 |
| WATER RESOURCES DIVISION | | | | |
| General Fund | 6,029,101 | 4,134,918 | 6,340,039 | 6,399,252 |
| State Special Revenue | 918,374 | 1,081,695 | 3,544,491 | 1,236,741 |
| Federal Special Revenue | 159,635 | 164,072 | 169,269 | 108,855 |
| RESERVED WATER RIGHTS COMP COM | | | | |
| General Fund | 714,982 | 537,019 | 760,789 | 768,808 |
| FORESTRY | | | | |
| General Fund | 5,906,892 | 5,249,455 | 6,491,382 | 6,512,010 |
| State Special Revenue | 10,863,292 | 9,124,285 | 11,918,770 | 11,970,675 |
| Federal Special Revenue | 1,137,005 | 1,336,564 | 1,459,041 | 1,462,628 |
| **Agency Totals** | **32,505,816** | **28,167,677** | **38,688,154** | **36,056,970** |
| | | | | |
| 5801 DEPT OF REVENUE | | | | |
| DIRECTORS OFFICE | | | | |
| General Fund | 2,526,235 | 2,500,727 | 2,242,679 | 2,117,096 |
| State Special Revenue | 300 | 0 | 0 | 0 |
| Federal Special Revenue | 800 | 0 | 103,353 | 93,553 |
| Proprietary Funds | 30,577 | 31,995 | 30,072 | 30,072 |
| INFORMATION TECHNOLOGY | | | | |
| General Fund | 2,078,658 | 2,267,831 | 3,086,850 | 2,844,528 |
| Federal Special Revenue | 374,214 | 204,548 | 183,365 | 183,365 |
| Proprietary Funds | 71,711 | 75,378 | 64,245 | 64,245 |

Table R-1 (cont)
AGENCY BUDGET SUMMARY HB 2 ALL FUNDS

| | Actual FY 02 | Budget FY 03 | Request FY 04 | Request FY 05 |
|---|---|---|---|---|
| RESOURCE MANAGEMENT | | | | |
| General Fund | 1,172,470 | 1,172,009 | 1,060,772 | 1,062,292 |
| Federal Special Revenue | 0 | 0 | 97,296 | 97,296 |
| Proprietary Funds | 1,109,984 | 1,124,888 | 1,136,301 | 1,142,526 |
| CUSTOMER SERVICE CENTER | | | | |
| General Fund | 3,798,469 | 3,871,742 | 4,071,916 | 4,081,801 |
| State Special Revenue | 239,943 | 247,455 | 356,397 | 357,110 |
| Federal Special Revenue | 877,561 | 1,090,908 | 878,199 | 878,199 |
| Proprietary Funds | 762,765 | 777,131 | 762,765 | 762,765 |
| COMPLIANCE VALUATION AND RESOLUTION | | | | |
| General Fund | 18,502,917 | 19,664,865 | 19,968,918 | 19,894,168 |
| State Special Revenue | 184,242 | 196,699 | 192,759 | 196,053 |
| Federal Special Revenue | 1,075,907 | 1,192,147 | 1,109,904 | 1,109,904 |
| Agency Totals | 32,806,753 | 34,418,323 | 35,345,791 | 34,914,973 |
| 6101 DEPT OF ADMINISTRATION | | | | |
| GOVERNOR ELECT PROGRAM | | | | |
| General Fund | 0 | 0 | 0 | 50,000 |
| ADMIN FINANCIAL SERV DIVISION | | | | |
| General Fund | 1,774,799 | 1,577,714 | 1,465,111 | 1,445,362 |
| State Special Revenue | 54,405 | 79,560 | 160,908 | 154,653 |
| Federal Special Revenue | 39,775 | 65,393 | 162,708 | 162,594 |
| Proprietary Funds | 41,032 | 41,224 | 43,776 | 43,688 |
| ARCHITECTURE & ENGINEERING PGM | | | | |
| State Special Revenue | 1,091,531 | 1,209,416 | 1,220,230 | 1,221,118 |
| Capital Projects | 0 | 0 | 11,542 | 18,369 |
| GENERAL SERVICES PROGRAM | | | | |
| General Fund | 916,817 | 923,399 | 617,099 | 614,356 |
| Capital Projects | 933,055 | 933,055 | 500,000 | 500,000 |
| INFORMATION TECH SERV DIVISION | | | | |
| General Fund | 127,808 | 129,540 | 157,798 | 155,360 |
| Federal Special Revenue | 463,344 | 0 | 2,750,000 | 500,000 |
| BANKING AND FINANCIAL DIVISION | | | | |
| State Special Revenue | 1,500,185 | 1,535,756 | 2,201,063 | 2,232,411 |
| MONTANA STATE LOTTERY | | | | |
| Proprietary Funds | 7,821,113 | 8,780,928 | 8,549,277 | 7,295,036 |
| STATE PERSONNEL DIVISION | | | | |
| General Fund | 1,127,130 | 1,144,775 | 1,207,161 | 1,209,084 |
| State Special Revenue | 27,353 | 27,400 | 30,395 | 31,300 |
| STATE TAX APPEAL BOARD | | | | |
| General Fund | 249,163 | 283,763 | 327,301 | 329,786 |
| Agency Totals | 16,167,510 | 16,731,923 | 19,404,369 | 15,963,117 |
| 6102 APPELLATE DEFENDER | | | | |
| General Fund | 0 | 183,760 | 188,469 | 189,023 |
| State Special Revenue | 178,910 | 0 | 0 | 0 |
| Agency Totals | 178,910 | 183,760 | 188,469 | 189,023 |
| 6201 DEPT OF AGRICULTURE | | | | |
| CENTRAL MANAGEMENT DIVISION | | | | |
| General Fund | 222,429 | 192,314 | 223,309 | 189,134 |
| State Special Revenue | 417,166 | 458,150 | 567,646 | 567,615 |
| Federal Special Revenue | 66,894 | 113,199 | 63,000 | 63,000 |
| Proprietary Funds | 49,986 | 53,898 | 56,396 | 56,396 |
| AGRICULTURAL SCIENCES DIV | | | | |
| General Fund | 181,198 | 199,621 | 131,909 | 131,910 |
| State Special Revenue | 4,348,362 | 4,677,018 | 4,948,088 | 4,955,292 |
| Federal Special Revenue | 835,071 | 1,975,784 | 3,267,539 | 1,264,546 |
| AGRICULTURAL DEVELOPMENT | | | | |
| General Fund | 326,712 | 364,367 | 337,420 | 337,423 |
| State Special Revenue | 2,390,642 | 3,015,945 | 2,953,421 | 2,851,704 |
| Federal Special Revenue | 44,500 | 45,710 | 220,000 | 220,000 |
| Proprietary Funds | 191,815 | 280,960 | 263,818 | 265,125 |
| Agency Totals | 9,074,775 | 11,376,966 | 13,032,546 | 10,902,145 |
| 6401 DEPT OF CORRECTIONS | | | | |
| ADMIN AND SUPPORT SERVICES | | | | |
| General Fund | 9,220,046 | 9,312,489 | 10,211,493 | 10,494,274 |
| State Special Revenue | 4,321 | 1,358 | 6,602 | 3,796 |
| Proprietary Funds | 67,018 | 65,181 | 94,405 | 103,755 |
| COMMUNITY CORRECTIONS | | | | |
| General Fund | 20,944,881 | 23,529,629 | 24,528,544 | 24,861,415 |
| State Special Revenue | 303,828 | 313,169 | 303,828 | 303,828 |
| Federal Special Revenue | 0 | 36,620 | 0 | 0 |
| SECURE CUSTODY FACILITIES | | | | |
| General Fund | 49,316,699 | 47,421,868 | 51,674,677 | 52,462,083 |
| State Special Revenue | 841,188 | 836,250 | 1,408,688 | 1,408,688 |
| Federal Special Revenue | 80,288 | 93,173 | 80,288 | 80,288 |

# Agency Budget Summary
# All Funds

Table R-1 (cont)

AGENCY BUDGET SUMMARY HB 2 ALL FUNDS

| | Actual FY 02 | Budget FY 03 | Request FY 04 | Request FY 05 |
|---|---|---|---|---|
| MONT CORRECTIONAL ENTERPRISES | | | | |
| General Fund | 940,187 | 1,034,946 | 1,051,611 | 1,053,016 |
| Proprietary Funds | 353,084 | 529,848 | 444,411 | 445,556 |
| JUVENILE CORRECTIONS | | | | |
| General Fund | 16,468,441 | 17,014,735 | 16,752,348 | 16,767,417 |
| State Special Revenue | 518,667 | 575,066 | 437,013 | 437,013 |
| Federal Special Revenue | 669,992 | 856,162 | 316,765 | 316,765 |
| **Agency Totals** | **99,728,640** | **101,620,494** | **107,310,673** | **108,737,894** |
| 6501 DEPT OF COMMERCE | | | | |
| RESEARCH AND COMMERCIALIZATION | | | | |
| General Fund | 120,607 | 124,084 | 0 | 0 |
| BUSINESS RESOURCES DIVISION | | | | |
| General Fund | 1,455,744 | 1,221,509 | 1,644,581 | 1,641,373 |
| State Special Revenue | 178,014 | 251,378 | 185,000 | 185,000 |
| Federal Special Revenue | 3,050,519 | 4,078,203 | 3,200,000 | 3,200,000 |
| MONTANA PROMOTION DIVISION | | | | |
| State Special Revenue | 654,172 | 743,000 | 768,341 | 750,000 |
| COMMUNITY DEVELOPMENT DIVISION | | | | |
| General Fund | 391,092 | 447,804 | 472,057 | 472,221 |
| State Special Revenue | 1,724,025 | 1,680,725 | 1,790,371 | 795,416 |
| Federal Special Revenue | 4,732,165 | 8,181,308 | 4,742,611 | 4,738,589 |
| HOUSING DIVISION | | | | |
| State Special Revenue | 0 | 7,000 | 20,000 | 20,000 |
| Federal Special Revenue | 31,731,349 | 56,385,095 | 9,304,034 | 5,573,736 |
| DIRECTOR/MANAGEMENT SERVICES | | | | |
| State Special Revenue | 0 | 57,838 | 0 | 0 |
| Federal Special Revenue | 2,041 | 55,038 | 2,046 | 2,046 |
| Agency Totals | 44,039,728 | 73,232,982 | 22,129,041 | 17,378,381 |
| **6602 DEPT OF LABOR AND INDUSTRY** | | | | |
| WORK FORCE SERVICES DIVISION | | | | |
| General Fund | 916,054 | 43,087 | 811,024 | 810,898 |
| State Special Revenue | 6,781,481 | 4,455,323 | 6,353,803 | 6,358,114 |
| Federal Special Revenue | 23,052,040 | 28,578,803 | 24,854,451 | 24,826,262 |
| Proprietary Funds | 0 | 6,832 | 0 | 0 |
| UNEMPLOYMENT INSURANCE DIVISION | | | | |
| State Special Revenue | 283,213 | 288,653 | 304,955 | 304,955 |
| Federal Special Revenue | 5,744,556 | 6,540,643 | 6,330,902 | 6,340,652 |
| COMMISSIONER'S OFFICE/CSD | | | | |
| General Fund | 159,270 | 163,414 | 172,817 | 173,086 |
| State Special Revenue | 653,702 | 769,286 | 751,448 | 750,449 |
| Federal Special Revenue | 411,728 | 470,943 | 427,589 | 427,225 |
| Proprietary Funds | 43,126 | 55,454 | 67,956 | 67,851 |
| EMPLOYMENT RELATIONS DIVISION | | | | |
| General Fund | 869,937 | 942,686 | 854,549 | 852,260 |
| State Special Revenue | 5,751,732 | 6,139,721 | 6,298,042 | 6,296,382 |
| Federal Special Revenue | 734,353 | 783,338 | 721,000 | 721,000 |
| BUSINESS STANDARDS DIVISION | | | | |
| State Special Revenue | 8,740,572 | 9,239,881 | 10,567,016 | 10,592,039 |
| OFFICE OF COMMUNITY SERVICE | | | | |
| General Fund | 24,693 | 24,690 | 24,693 | 24,693 |
| Federal Special Revenue | 2,034,202 | 2,978,435 | 3,083,388 | 3,082,966 |
| WORKERS COMPENSATION COURT | | | | |
| State Special Revenue | 420,248 | 451,502 | 446,745 | 445,781 |
| **Agency Totals** | **56,620,907** | **61,932,691** | **62,070,378** | **62,074,613** |
| **6701 DEPT OF MILITARY AFFAIRS** | | | | |
| CENTRALIZED SERVICES | | | | |
| General Fund | 394,510 | 376,106 | 438,405 | 436,637 |
| Federal Special Revenue | 56,684 | 90,004 | 97,533 | 97,334 |
| CHALLENGE PROGRAM | | | | |
| State Special Revenue | 0 | 0 | 1,131,049 | 1,119,831 |
| Federal Special Revenue | 0 | 0 | 1,679,814 | 1,679,747 |
| ARMY NATIONAL GUARD PGM | | | | |
| General Fund | 1,163,402 | 1,259,721 | 1,207,445 | 1,185,272 |
| State Special Revenue | 17,561 | 222,800 | 296,000 | 386,000 |
| Federal Special Revenue | 3,560,033 | 3,797,020 | 4,654,010 | 4,651,932 |
| AIR NATIONAL GUARD PGM | | | | |
| General Fund | 188,423 | 210,985 | 308,782 | 308,408 |
| Federal Special Revenue | 1,991,101 | 2,113,591 | 2,260,254 | 2,261,904 |
| DISASTER & EMERGENCY SERVICES | | | | |
| General Fund | 505,871 | 518,287 | 499,869 | 499,712 |
| State Special Revenue | 13,700 | 21,597 | 13,700 | 13,700 |
| Federal Special Revenue | 1,374,432 | 1,360,247 | 4,312,742 | 4,312,223 |
| VETERANS AFFAIRS PROGRAM | | | | |
| General Fund | 722,021 | 702,879 | 709,456 | 710,569 |
| State Special Revenue | 120,083 | 165,132 | 187,325 | 187,489 |
| **Agency Totals** | **10,107,821** | **10,838,369** | **17,796,384** | **17,850,758** |

# Agency Budget Summary
# All Funds

Table R-1 (cont)
AGENCY BUDGET SUMMARY HB 2 ALL FUNDS

| 6901 DEPT OF PUBLIC HEALTH & HUMAN SERVICES | Actual FY 02 | Budget FY 03 | Request FY 04 | Request FY 05 |
|---|---|---|---|---|
| HUMAN AND COMMUNITY SERVICES DIVISION | | | | |
| General Fund | 21,737,319 | 22,207,227 | 23,144,840 | 21,399,664 |
| State Special Revenue | 411,046 | 426,151 | 510,251 | 510,251 |
| Federal Special Revenue | 105,046,788 | 155,924,702 | 162,477,797 | 161,878,423 |
| CHILD & FAMILY SERVICES DIV | | | | |
| General Fund | 21,330,764 | 21,831,793 | 19,761,992 | 19,984,077 |
| State Special Revenue | 1,474,092 | 1,400,745 | 1,667,550 | 1,994,550 |
| Federal Special Revenue | 22,361,182 | 24,505,633 | 28,661,367 | 29,707,041 |
| DIRECTOR'S OFFICE | | | | |
| General Fund | 1,594,576 | 1,276,635 | 1,034,392 | 1,037,100 |
| State Special Revenue | 1,171,486 | 1,309,383 | 1,977,108 | 1,982,884 |
| Federal Special Revenue | 2,044,742 | 2,220,048 | 2,348,528 | 2,350,542 |
| CHILD SUPPORT ENFORCEMENT | | | | |
| General Fund | 224,997 | 223,881 | 224,997 | 224,997 |
| State Special Revenue | 2,799,172 | 3,031,724 | 3,157,914 | 3,163,469 |
| Federal Special Revenue | 6,176,437 | 6,614,617 | 6,726,005 | 6,737,458 |
| FISCAL SERVICES DIVISION | | | | |
| General Fund | 2,322,416 | 2,487,567 | 2,440,359 | 2,315,781 |
| State Special Revenue | 278,275 | 223,797 | 303,622 | 270,196 |
| Federal Special Revenue | 2,359,231 | 2,685,036 | 2,492,849 | 2,385,799 |
| HEALTH POLICY & SERVICES DIVISION | | | | |
| General Fund | 65,202,469 | 65,145,686 | 63,971,920 | 67,991,234 |
| State Special Revenue | 4,034,013 | 7,852,390 | 10,675,845 | 10,829,728 |
| Federal Special Revenue | 223,614,089 | 249,854,188 | 254,392,217 | 267,117,415 |
| QUALITY ASSURANCE DIVISION | | | | |
| General Fund | 1,955,210 | 2,129,178 | 2,246,997 | 2,245,261 |
| State Special Revenue | 224,944 | 376,406 | 271,018 | 270,982 |
| Federal Special Revenue | 4,728,272 | 5,359,663 | 5,162,873 | 5,163,731 |
| OPERATIONS & TECHNOLOGY DIV | | | | |
| General Fund | 8,939,659 | 9,353,894 | 9,006,907 | 9,052,065 |
| State Special Revenue | 864,332 | 1,345,198 | 927,614 | 937,117 |
| Federal Special Revenue | 15,089,803 | 13,691,460 | 15,266,054 | 15,320,918 |
| DISABILITY SERVICES DIVISION | | | | |
| General Fund | 43,633,447 | 42,699,159 | 46,930,031 | 47,098,164 |
| State Special Revenue | 56,025 | 2,062,553 | 56,025 | 56,025 |
| Federal Special Revenue | 67,813,795 | 69,079,337 | 75,166,284 | 75,476,302 |
| SENIOR & LONG-TERM CARE | | | | |
| General Fund | 43,176,672 | 46,142,479 | 43,168,835 | 45,238,357 |
| State Special Revenue | 7,494,929 | 9,030,777 | 10,788,943 | 11,834,239 |
| Federal Special Revenue | 122,962,976 | 137,980,849 | 134,929,167 | 142,975,851 |
| ADDICTIVE & MENTAL DISORDERS | | | | |
| General Fund | 50,224,453 | 51,686,534 | 49,801,579 | 52,893,794 |
| State Special Revenue | 5,027,791 | 7,945,897 | 8,452,305 | 8,535,142 |
| Federal Special Revenue | 71,301,619 | 77,616,301 | 90,831,621 | 97,727,735 |
| Agency Totals | 927,677,021 | 1,045,720,888 | 1,078,975,806 | 1,116,706,292 |
| All Agencies | 2,707,465,367 | 3,036,007,466 | 3,081,473,607 | 3,062,759,728 |

| STATEWIDE TOTALS | Actual FY 02 | Budget FY 03 | Request FY 04 | Request FY 05 |
|---|---|---|---|---|
| General Fund | 1,171,618,550 | 1,131,366,550 | 1,149,886,008 | 1,163,123,856 |
| State Special Revenue | 334,512,085 | 425,095,737 | 487,567,185 | 461,590,457 |
| Federal Special Revenue | 1,188,305,883 | 1,465,024,946 | 1,430,290,121 | 1,425,546,276 |
| Capital Projects | 933,055 | 933,055 | 511,542 | 518,369 |
| Proprietary Funds | 12,095,794 | 13,587,178 | 13,218,751 | 11,980,770 |
| All Agencies | 2,707,465,367 | 3,036,007,466 | 3,081,473,607 | 3,062,759,728 |

# Supplemental Appropriations
# All Funds

The recommendation for supplemental appropriations in FY 2003 is $15,685,523 general fund. **HB 3** contains most of the supplemental appropriations. **HB 16** is an emergency supplemental appropriations bill for consideration early in the session to reimburse the Department of Natural Resources and Conservation for fire suppression and fire-related costs.

**Public Health and Human Services – Section B**

**Department of Public Health and Human Services** – The Disability Services Division is requesting a supplemental appropriation of approximately $924,354 for the Montana Developmental Center due to the need for additional staff to meet Medicaid certification requirements, along with the anticipated costs of the MAP lawsuit. In FY 2002, the department transferred $416,457 from FY 2003 to mitigate the increased costs of hiring additional staff, with the understanding that supplemental funding would be available in FY 2003. The supplemental funding comes from the retroactive reimbursement of individuals identified as not-seriously developmentally disabled that served at MDC from FY 1997 through FY 2002 whose services were not previously reimbursed by Medicaid. It has recently been determined that these services could be reimbursed with Medicaid funds as these Medicaid eligible individuals continued to obtain active treatment at the facility while waiting for services to become available in the community. These additional collections, totaling $1,878,394 from FY 1997 through FY 2002, have not been included in the state's general fund revenue estimates and will be deposited into the general fund as revenue during FY 2003.

**Natural Resources and Commerce – Section C**

**Department of Natural Resources and Conservation –** The total request for HB16 is $6,571,766 of general fund. This supplemental recommendation is in a separate bill to enable more rapid legislative consideration of a single issue, fire costs. The DNRC will be unable to meet payroll in February without restoration of its FY 2003 budget or a general fund loan.

In HB 3 fire suppression costs total an additional $2,497,863 general fund that are not expected to be reimbursed by FEMA or the U.S. Forest Service.

**Public Safety and Justice – Section D**

**Department of Justice** - $250,000 general fund is recommended in the Legal Services Division for major litigation for the current cases as well as the school fund lawsuit, elk farm case, and potential tobacco lawsuits.

In addition, $250,000 general fund for prisoner per diem in the Highway Patrol Division is requested due to the increase in the number of days prisoners are being held in county facilities.

**Education – Section E**

**Office of Public Instruction** - In accordance with 20-9-351, MCA, the Office of Public Instruction requests a supplemental appropriation to complete the funding of FY 2003 BASE aid and retirement GTB aid for elementary and high school districts. At this time, the supplemental is projected at $3.503 million general fund.

**Commissioner of Higher Education** - The Commissioner of Higher Education (OCHE) is requesting authorization to spend up to $76,000 indirect cost recoveries that were received in the 2003 biennium. The Legislative Audit Division (LAD) has recommended that OCHE record indirect cost recovery as revenue, and not a reduction of expenditures. The last legislative session, as recommended in the executive budget, incorrectly budgeted these indirect cost recoveries in OCHE as a reduction in expenditures. This supplemental has no impact on general fund since a like amount of revenue will be deposited into the general fund. It will bring the OCHE in compliance with the LAD recommendation.

# Statutory Appropriations – All Funds

Table R-2
STATUTORY APPROPRIATIONS ALL FUNDS

| | Actual FY 02 | Budget FY 03 | Request FY 04 | Request FY 05 |
|---|---|---|---|---|
| 3101 GOVERNOR'S OFFICE | | | | |
| EXECUTIVE OFFICE PROGRAM | | | | |
| General Fund | 279,563 | 175,000 | 0 | 0 |
| Agency Totals | 279,563 | 175,000 | 0 | 0 |
| 3401 STATE AUDITOR'S OFFICE | | | | |
| LOCAL ASSISTANCE TO COUNTIES | | | | |
| General Fund | 14,214,278 | 14,447,100 | 15,203,194 | 16,011,695 |
| FOREST RES & FPGA TO COUNTIES | | | | |
| Federal Special Revenue | 13,474,861 | 8,250,000 | 13,750,000 | 13,750,000 |
| **Agency Totals** | **27,689,139** | **22,697,100** | **28,953,194** | **29,761,695** |
| **3501 OFFICE OF PUBLIC INSTRUCTION** | | | | |
| LOCAL EDUCATION ACTIVITIES | | | | |
| State Special Revenue | 0 | 51,701,000 | 46,843,000 | 46,313,000 |
| **Agency Totals** | **0** | **51,701,000** | **46,843,000** | **46,313,000** |
| **4110 DEPARTMENT OF JUSTICE** | | | | |
| LEGAL SERVICES DIVISION | | | | |
| State Special Revenue | 87,661 | 105,000 | 87,656 | 87,656 |
| GAMBLING CONTROL DIVISION | | | | |
| State Special Revenue | 2,012,932 | 2,296,279 | 2,258,264 | 2,258,128 |
| CENTRAL SERVICES DIVISION | | | | |
| State Special Revenue | 16,449 | 125,000 | 125,000 | 125,000 |
| Federal Special Revenue | 124,964 | 125,000 | 125,000 | 125,000 |
| Agency Totals | 2,242,006 | 2,651,279 | 2,595,920 | 2,595,784 |
| 5102 COMMISSIONER OF HIGHER EDUCATION | | | | |
| STUDENT ASSISTANCE PROGRAM | | | | |
| State Special Revenue | 156,492 | 330,226 | 156,492 | 156,492 |
| APPROPRIATION DISTRIBUTION | | | | |
| General Fund | 65,000 | 65,000 | 65,000 | 65,000 |
| State Special Revenue | 521,148 | 552,600 | 532,506 | 538,357 |
| **Agency Totals** | **742,640** | **947,826** | **753,998** | **759,849** |
| **5113 MONTANA SCHOOL FOR THE DEAF AND BLIND** | | | | |
| EDUCATION | | | | |
| State Special Reveneu | 228,685 | 156,124 | 54,000 | 54,000 |
| **Agency Totals** | **228,685** | **156,124** | **54,000** | **54,000** |
| **5117 MONTANA HISTORICAL SOCIETY** | | | | |
| ADMINISTRATION PROGRAM | | | | |
| State Special Revenue | 98,294 | 89,772 | 102,265 | 104,310 |
| HERITAGE COMMISSION | | | | |
| State Special Revenue | 881,597 | 1,417,053 | 933,422 | 935,411 |
| LEWIS & CLARK BICENTENNIAL | | | | |
| State Special Revenue | 229,068 | 1,066,000 | 229,068 | 229,068 |
| Agency Totals | 1,208,959 | 2,572,825 | 1,264,755 | 1,268,789 |
| 5201 DEPT OF FISH, WILDLIFE AND PARKS | | | | |
| PARKS DIVISION | | | | |
| State Special Revenue | 346,504 | 878,589 | 698,132 | 715,042 |
| Agency Totals | 346,504 | 878,589 | 698,132 | 715,042 |
| 5301 DEPT OF ENVIRONMENTAL QUALITY | | | | |
| REMEDIATION DIVISION | | | | |
| State Special Revenue | 6,150,941 | 5,513,963 | 6,150,941 | 6,150,941 |
| Agency Totals | 6,150,941 | 5,513,963 | 6,150,941 | 6,150,941 |
| 5401 Department of Transportation | | | | |
| GENERAL OPERATIONS PROGRAM | | | | |
| State Special Revenue | 16,691,430 | 16,691,798 | 16,692,478 | 16,692,413 |
| CONSTRUCTION PROGRAM | | | | |
| State Special Revenue | 100,000 | 100,000 | 100,000 | 100,000 |
| **Agency Totals** | **16,791,430** | **16,791,798** | **16,792,478** | **16,792,413** |
| **5706 Department of Natural Resources and Conservation** | | | | |
| OIL & GAS CONSERVATION DIV | | | | |
| State Special Revenue | 9,156 | 190,845 | 200,000 | 0 |
| **CONSERVATION/RESOURCE DEV DIV** | | | | |
| **State Special Revenue** | **481,541** | **162,313** | **0** | **0** |
| FORESTRY | | | | |
| General Fund | 10,049,888 | 0 | 0 | 0 |
| Agency Totals | 10,540,585 | 353,158 | 200,000 | 0 |

# Statutory Appropriations – All Funds

Table R-2 (cont)
STATUTORY APPROPRIATIONS ALL FUNDS

| | Actual FY 02 | Budget FY 03 | Request FY 04 | Request FY 05 |
|---|---|---|---|---|
| 6101 Department of Administration | | | | |
| ADMIN FINANCIAL SERV DIVISION | | | | |
| General Fund | 21,253,669 | 23,281,108 | 23,543,601 | 23,559,640 |
| State Special Revenue | 0 | 0 | 2,853,000 | 5,762,000 |
| Federal Special Revenue | 227,662 | 224,689 | 227,662 | 227,662 |
| Capital Projects | 498,169 | 495,686 | 493,755 | 490,939 |
| GENERAL SERVICES PROGRAM | | | | |
| | 6,989 | 0 | 0 | 0 |
| INFORMATION TECH SERV DIVISION | | | | |
| State Special Revenue | 4,338,136 | 3,869,498 | 4,338,136 | 4,338,136 |
| MONTANA STATE LOTTERY | | | | |
| Proprietary Funds | 19,085,784 | 22,555,562 | 19,085,784 | 19,085,784 |
| RISK MANAGEMENT & TORT DEFENSE | | | | |
| State Special Revenue | 1,150,353 | 771,178 | 0 | 0 |
| Agency Totals | 46,560,762 | 51,197,721 | 50,541,938 | 53,464,161 |
| 6201 Department of Agriculture | | | | |
| AGRICULTURAL SCIENCES DIV | | | | |
| State Special Revenue | 0 | 23,900 | 33,900 | 33,900 |
| AGRICULTURAL DEVELOPMENT | | | | |
| General Fund | 1,180,599 | 907,279 | 625,000 | 625,000 |
| State Special Revenue | 2,103 | 62,916 | 246,849 | 246,849 |
| Proprietary Funds | 1,949,065 | 6,027,818 | 5,633,551 | 5,633,551 |
| Agency Totals | 3,131,767 | 7,021,913 | 6,539,300 | 6,539,300 |
| 6501 Department of Commerce | | | | |
| RESEARCH AND COMMERCIALIZATION | | | | |
| General Fund | 4,850,000 | 4,850,000 | 0 | 0 |
| BUSINESS RESOURCES DIVISION | | | | |
| General Fund | 882,582 | 675,000 | 950,000 | 950,000 |
| State Special Revenue | 199,998 | 200,000 | 200,000 | 200,000 |
| MONTANA PROMOTION DIVISION | | | | |
| State Special Revenue | 9,264,826 | 11,134,167 | 10,206,707 | 10,384,038 |
| COMMUNITY DEVELOPMENT DIVISION | | | | |
| State Special Revenue | 253,978 | 171,021 | 425,000 | 0 |
| BOARD OF INVESTMENTS | | | | |
| Proprietary Funds | 2,872,078 | 3,095,257 | 2,872,078 | 2,872,078 |
| Agency Totals | 18,323,462 | 20,125,445 | 14,653,785 | 14,406,116 |
| 6602 Department of Labor and Industry | | | | |
| UNEMPLOYMENT INSURANCE DIVISION | | | | |
| Federal Special Revenue | 638,162 | 615,236 | 638,162 | 638,162 |
| EMPLOYMENT RELATIONS DIVISION | | | | |
| State Special Revenue | 582,718 | 700,811 | 582,718 | 582,718 |
| BUSINESS STANDARDS DIVISION | | | | |
| State Special Revenue | 15,384 | 59,050 | 15,384 | 15,384 |
| Agency Totals | 1,236,264 | 1,375,097 | 1,236,264 | 1,236,264 |
| 6901 Department of Public Health and Human Services | | | | |
| CHILD & FAMILY SERVICES DIV | | | | |
| State Special Revenue | 0 | 140,000 | 0 | 0 |
| DISABILITY SERVICES DIVISION | | | | |
| State Special Revenue | 991,057 | 1,039,506 | 1,004,616 | 1,002,092 |
| ADDICTIVE & MENTAL DISORDERS | | | | |
| State Special Revenue | 3,245,445 | 2,910,857 | 1,908,668 | 1,909,403 |
| Agency Totals | 4,236,502 | 4,090,363 | 2,913,284 | 2,911,495 |
| All Agencies | 274,890,067 | 331,236,925 | 305,427,651 | 308,734,053 |

STATEWIDE TOTALS

| | Actual FY 02 | Budget FY 03 | Request FY 04 | Request FY 05 |
|---|---|---|---|---|
| General Fund | 150,652,951 | 132,925,953 | 128,312,982 | 129,666,064 |
| State Special Revenue | 85,366,371 | 156,921,724 | 134,288,677 | 136,244,813 |
| Federal Special Revenue | 14,465,649 | 9,214,925 | 14,740,824 | 14,740,824 |
| Capital Projects | 498,169 | 495,686 | 493,755 | 490,939 |
| Proprietary Funds | 23,906,927 | 31,678,637 | 27,591,413 | 27,591,413 |
| All Agencies | 274,890,067 | 331,236,925 | 305,427,651 | 308,734,053 |

# Budget Background Information
## Details on How the 2005 Biennium Budget was Developed

**Personal Services** – The personal services portion of the executive budget is based upon a "snapshot" of actual salaries for authorized FTE, as they existed on the Statewide Accounting, Budgeting and Human Services System (SABHRS) on June 30, 2002, which was the end of the fiscal year. OBPP prepared the FY 2004 and FY 2005 personal services budgets to reflect HB 13 adopted by the 2001 Legislature, workers comp, unemployment insurance, FICA, retirement contribution rates, number of hours each fiscal year, longevity adjustments and health insurance rates. These personal services schedules are included in the present law base for current level positions that are authorized for FY 2003 and thus authorized to continue into the 2005 biennium.

**Inflation/Deflation** - The adjusted base for FY 2004 and FY 2005 includes fully funded personal services costs in the 61000 expenditure accounts. It does not include per diem for boards and advisory committees, overtime, shift differential pay and holidays worked. In addition, the following accounts have been inflated/deflated from the FY 2002 base amounts due to the new recommended amounts/rates:

| Acct | Name | FY 2004 | FY 2005 | Primary Reason |
|---|---|---|---|---|
| 62141 | Tape Megabytes | -100.00% | -100.00% | Combined with CPU |
| 62141 | Tape Storage Archive | -100.00% | -100.00% | Combined with CPU |
| 62142 | Disk Storage | 10.00% | 10.00% | Predicted allocated costs/usage |
| 62168 | Sysin Disk Read/Write | 10.00% | 10.00% | Predicted allocated costs/usage |
| 62172 | Batch CPU | 10.00% | 10.00% | Predicted allocated costs/usage |
| 62175 | LAN Administration | 20.00% | 20.00% | Predicted allocated costs/usage |
| 62177 | TSO CPU | 10.00% | 10.00% | Predicted allocated costs/usage |
| 62178 | IDMS/CPU CICS ADS | 10.00% | 10.00% | Predicted allocated costs/usage |
| 62180 | CICS CPU | 10.00% | 10.00% | Predicted allocated costs/usage |
| 62185 | Laser | 30.00% | 30.00% | Predicted allocated costs/usage |
| 62216 | Gasoline | 10.80% | 16.00% | Assumed market conditions |
| 62242 | Diesel | 10.80% | 16.00% | Assumed market conditions |
| 62304 | Postage | 8.00% | 8.00% | U.S. Postal Service rate increase |
| 62370 | Voice Equipment | 33.00% | 33.00% | Market conditions |
| 62385 | Long Distance Charge | -22.00% | -22.00% | Market conditions |
| 62404 | In-State Motor Pool | 0.99% | 9.48% | Leg. Approved rates not in HB 2 |
| 62601 | Electricity | 10.00% | 11.00% | Assumed market conditions |
| 62603 | Natural Gas | - 5.40% | - 4.40% | Assumed market conditions |

No other inflation or deflation is included in the adjusted base budgets for FY 2004 and FY 2005. Agency requests for other changes to the adjusted base budget were submitted in decision packages (DPs), which will be listed individually in separate tables for legislative action in the Legislative Fiscal Division analysis of the budget.

**Fixed Costs** - Although most agencies will be billed in the 2005 biennium consistent with the amounts budgeted for fixed costs, there may be a few exceptions, notably network fees that are based on the number of devices actually on the system, warrant writing fees for warrants actually issued, and that portion of lease vehicles based on number of miles

Fixed Costs

| Account 62104 | | Account 62113 | | Account 62114 | | Account 62122 | Account 62148 | | Account 62174 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Insurance | | Warrant Writer | | Payroll | | Audit Fees | SABHRS | | Data Network | |
| FY2004 | FY2005 | FY2004 | FY2005 | FY2004 | FY2005 | FY2004 | FY2004 | FY2005 | FY2004 | FY2005 |
| $ 14,770,016 | $ 16,452,767 | $859,015 | $ 874,351 | $ 435,310 | $461,614 | $2,798,601 | $4,651,404 | $4,794,639 | $9,588,696 | $9,865,950 |

| Account 62307 | | Account 62527 | | Account 62770 | | Account 62895 | |
|---|---|---|---|---|---|---|---|
| Messenger Services | | Capitol Complex Rent | | Grounds Maintenance | | SFCAP | |
| FY2004 | FY2005 | FY2004 | FY2005 | FY2004 | FY2005 | FY2004 | FY2005 |
| $ 134,012 | $134,012 | $ 5,643,230 | $5,862,935 | $326,374 | $ 326,374 | $ 898,875 | $1,310,170 |

driven. The total of fixed costs for the 2005 biennium is shown for each fiscal year just above. A brief summary of each fixed cost follows and the manner in which each of these objects was adjusted in the budget is summarized.

**Insurance** - The state self-insures for property losses under $150,000 (Prison < $250,000). Expansion of government property, replacement values for increased property values, and state assumption of county roads under SB 333 are prominent reasons for the insurance increases.
FY 2002 Actual: $8,056,480 FY 2004 Budgeted: $14,770,015 FY 2005 Budgeted: $15,452,767

**Warrant Writer** - Check writing and auto-deposit capabilities for two million annual transactions are provided to state agencies. The service is charged out on actual experience and projected based on historical demand.
FY 2002 budget: $831,766 FY 2004 projected: $859,015 FY 2005 projected: $874,351

**Payroll Service** - Payroll processing for more than 12,000 state employees has projected operating expenses of $435,310 in FY 2004 and $461,614 in FY 2005.

**Audit** - Total statewide financial compliance audit costs for the 2005 biennium are $2,798,601. Biennium financial compliance audit costs for the 2003 biennium were $2,973,450.

**SABHRS** - Two functional costs to finance the Statewide Accounting, Budgeting, and Human Resource Systems (SABHRS) have been distributed to state agency budgets: the costs to finance the bonds and the costs to maintain the uniform central management system environment. In March 1998, there were $16.5 million of bonds sold for MT PRRIME, with first bond payments due in FY 1999. The $16.5 million bond obligation was distributed to agency budgets in object 2875: $2,506,518 in FY 2000 and $2,490,067 in FY 2001; $2,469,370 in FY 2002 and $2,050,913 in FY 2003. The SABHRS operations bureau will maintain the uniform central management system with total budgeted operating expenses of $4,651,404 in FY 2004 and $4,794,639 in FY 200. State agencies will pay this in distributed fixed costs, allocated by FTE, using all funds proportionately.

**Data Network Fees** - The amount for network fees is the number of agency network devices that will be in use in FY 2004 and FY 2005 times $73.00 each month, compared to a cost of $73.50 in the previous biennium. HB 2 of the 2001 session requires a justification of increases above $64.59. Primary factors include personnel reductions due to revenue shortfall, elimination of PCs in state agencies, working capital recoveries, Oracle ERA incorporation into the rate which results in a significant savings for the enterprise in each agency budget, and an increase in the bandwidth/wide area network. The allocation will be $9,558,696 in FY 2004 and $9,865,950 in FY 2005.

**Messenger Service** - Mail sorting, outgoing pickup and incoming mail delivery to all state agencies within the Helena metropolitan area is a budgeted cost, then distributed as a fixed cost to customer agencies, based upon historical volume, the number of FY 2002 holdouts (similar to a post office box), and the number of FY 2002 deliveries. The distributed fixed costs are $134,012 each year of the biennium, compared with $171,655 approved by the 57th Legislature for each year of the 2003 biennium.

**Department of Administration Rent** - Agencies within the Capitol Complex will pay $5.988 and $6.228 per square foot for office space in FY 2004 and FY 2005, respectively, as compared to $5.900 and $6.017 in the 2003 biennium. Warehouse space is budgeted at $2.27 per square foot (psf) in FY 2004 and $2.29 per square foot (psf) in FY 2005.

**Grounds Maintenance** - Capitol grounds maintenance, snow removal, and water charges are paid by Capitol Complex agencies at a rate of $0.3796 psf of rented office space. This rate was $0.3696 psf in the 2003 biennium.

**SFCAP (State Fund Cost Allocation Plan)** - The costs of certain general government services financed from the general fund are recovered from nongeneral and nonfederal funded programs. Office of Budget and Program Planning, Accounting Principles and Financial Reporting Sections, the Treasury, the Classification Unit, MTPRRIME Debt Service, Labor Relations Unit and Administration/Policy Unit of Personnel Division of DofA services are allocated. The allocation is a two-step process: 1) allocation to each state agency for the cost center budget based on indirect measures of workload generated by that agency; and 2) allocation by fund type. General fund and federal funds are excluded from the cost recovery. The cost recovery flows into the general fund. Total amount allocated to nongeneral and nonfederal programs under object of expenditure 2895 is $898,875 in FY 2004 and $1,310,170 in FY 2005.

# Budget Background Information
## Details on How the 2005 Biennium Budget was Developed

**SWCAP (Statewide Cost Allocation Plan) -** The costs of certain general government services are recovered from federal funds through negotiated cost allocation agreements with agencies of the federal government. Section 17-7-111, MCA, "Indirect cost rate – Allocation" requires that SWCAP costs are claimed first, agency indirect costs are claimed second and direct costs of administration are claimed third. All funds collected related to SWCAP are deposited into the general fund.

**State Building Energy Conservation Program -** The Department of Environmental Quality (DEQ) manages the State Building Energy Conservation Program to reduce operating costs in state facilities by identifying and funding cost-effective energy-efficiency improvements. Agencies that have completed or substantially completed projects incorporated savings into their budgets of $1.9 million in the 2005 biennium. A total of $6.7 million in utility cost savings has been realized through this program since its inception in FY 1994. More information regarding this program is in HB 12 and Section F, Long-Range Planning, of this book.

**Vacancy Savings -** Vacancy savings of 4 percent was applied to all agencies, except those with fewer than 20.00 FTE, to elected officials per se, to university system faculty, to the legislative branch, and to the judicial branch. The vacancy savings from the HB 2 base budgets of the affected agencies generated $19,234,058 in FY 2004 and $19,255,391 in FY 2005. In addition, the 4 percent vacancy savings was applied to personal services in present law and new proposal decision packages for the same affected agencies and generated $134,573 and $68,053 each year, respectively. The amount realized to help alleviate the revenue shortfall and to fund the recommended HB 13 pay plan for the 2005 biennium is $38,692,075 total funds.

HB 13 pay plan bill also includes a very important biennial contingency account of $1.5 million general fund and $3 million other funds for agencies that are unable to achieve the 4 percent vacancy savings due to lack of staff turnover and agencies that are unable to absorb the full costs of retirement payouts. A number of agencies are projecting very significant, costly retirements in the 2005 biennium and the executive recommends this contingency, rather than funding individual agencies for unknown projected costs.

**Agency Mission, Goals and Objectives -** The mission for each state agency is printed as part of the budget. Goals and objectives also are required in accordance with 17-7-111(3)(c), MCA, and are available on the Internet at www2.state.mt.us./budget.

**Analysis of Receipts by Fund -** The analysis of receipts by fund required by 17-7-124, MCA, is available on request from the OBPP, Room 277 State Capitol.

# Economic Overview

**Introduction** – The state, national, and world economies affect both citizens' demands for services from state government and the State of Montana's ability to provide those services. Economic conditions affect state revenues, the cost of providing public services and the demand for services.

The executive branch revenue estimation team prepared the general fund revenue estimates used in providing a balanced executive budget. State law also requires the Revenue and Transportation Committee to adopt a set of revenue assumptions for use in funding legislative programs. The committee will act on their estimates November 19, 2002, which is too late to be considered for use in the Governor's 2005 Biennium Executive Budget. The executive estimates will be presented to the committee to provide a reasonable basis for their deliberations.

The following provides an overview of the key economic conditions and assumptions implicit in the executive revenue estimates. Additional detail is provided in the executive branch's general fund revenue estimating book.

**General Overview** – The national economy went through a mild recession in 2001 and began a slow recovery in 2002. Gross Domestic Product (GDP) fell for the first three quarters of 2001 and grew slowly during the fourth quarter, but was up 0.3 percent for the year. GDP grew rapidly during the first quarter of 2002, but growth slowed in the second and third quarters. The national unemployment rate was 3.7 percent in the last quarter of 2000 and rose to a peak of 6.2 percent in the first quarter of 2002. The unemployment rate has begun to fall, and was 5.7 percent in October 2002.

GDP is forecast to grow steadily, but moderately, over the next several years, with annual growth rates of 2.4 percent in 2002, 3.0 percent in 2003, 4.0 percent in 2004 and 3.3 percent in 2005. Employment is forecast to grow slowly, but only slightly faster than the labor force. This will keep the national unemployment rate above 5 percent through 2005.

Montana's economy slowed in 2001, but not as much as the national economy. Wages and salaries reported on Montana income tax returns grew by 5.2 percent, which is only 0.2 percent less than the average since 1988. Montana's unemployment rate increased, but not as much as the national rate. In the second quarter of 2001, 4.3 percent of the Montana labor force was unemployed, 0.1 percent less than the national average. When unemployment peaked in the first quarter of 2002, the Montana unemployment rate was 5.5 percent, 0.7 percent less than the national average. In September, the latest month for which state unemployment statistics are available, the Montana unemployment rate was 4.0 percent while the national unemployment rate was 5.6 percent.

Individual sectors of the Montana economy often follow national trends, but because Montana has a different mix of economic activity than the nation, the overall state economy does not always follow national trends. The national recession was concentrated in the manufacturing sector. Industrial production fell 3.7 percent in 2001 and has continued to fall in 2002 despite the recovery in the rest of the economy. Manufacturing accounts for a much smaller share of economic activity in Montana than in the nation, and this is one reason why the state economy slowed less than the national economy.

The recession was accompanied by the bursting of the stock market bubble of the late 1990s. Many people who saw substantial increases in their personal wealth in the late 1990s saw substantial decreases in 2000 and 2001. This affects state revenues most directly through capital gains reported on income tax returns. Capital gains were 4.2 percent of income reported on tax returns in 1990 and 1991 and increased to 9.2 percent of income in 2000. Capital gains were 37.6 percent lower in 2001 than in 2000, and accounted for only 5.7 percent of income reported on tax returns.

In an effort to stimulate the economy, the Federal Reserve has cut interest rates to historic low levels. Low interest rates reduce the state's cost of borrowing, but they also reduce state government's interest earnings and interest income for income tax purposes.

The federal government also passed *the Economic Growth and Tax Relief Act of 2001 (EGTRRA)* and the *Job Creation and Worker's Assistance Act of 2002 (JCWAA)*. The former significantly reduces federal income tax rates; phases out current limitations on personal exemptions and itemized deductions; for the most part eliminates the federal marriage penalty; and increases the child tax credit. The latter provided a window for claiming federal 30 percent bonus depreciation tax benefits for businesses. Both of these federal changes will significantly impact revenue to the states, but particularly for a state like Montana where federal taxes are fully deductible on state individual income tax forms.

# Economic Overview

**Personal Income** – Personal income is the most commonly used measure of state economic performance. It is intended to measure the total income of the state's residents from wages and salaries; interest and dividends; rental receipts; farm income; and transfer payments. Key components of personal income provide insights about the level of the personal income tax base and the ability of the state residents to consume taxable services.

Wage and salary income is the largest component of both personal income and the income tax base. Since 1988, the average annual growth rate of wage and salary income is 5.4 percent. In 2001, wages and salaries grew by 5.2 percent. In the first nine months of 2002, wages and salaries earned are 3.8 percent higher than in the first nine months in 2001. Wage and salary income is forecast to grow by 4.5 percent in 2003 and by 5.3 percent in 2004.

**Income Tax Simulation Base** – The individual income tax estimates are based on calendar year 2001 returns and projected growth rates. The projected growth rates are derived from a variety of sources. Many are based on national forecasts from Global Insight and relationships that have historically held between the state and national economies. Some growth rates are based on information from the Bureau of Business and Economic Research at the University of Montana. Other growth rates rely on the Montana-specific history of growth in recent years, and growth in population.

**Individual Income Tax** – By now, those with even the slightest interest in the fiscal affairs of the states are acutely aware of the impact of the events of September 11, 2001 and the recent spate of corporate malfeasance on the values of corporate securities. The recent large declines in the value of corporate stock, coupled with the mild recession experienced in 2001, are responsible for steep declines in capital gains income reported on income tax returns, causing income tax revenues to drop well below expectations and requiring most states to either cut budgets or raise taxes in special legislative sessions this and last year.

Montana was no exception to this experience. In mid-fiscal 2002 it became apparent that income tax collections were beginning to significantly lag expectations and the state ended the year with individual income tax collections $57.4 million (10 percent) below earlier expectations. In Montana, capital gains income reported on income tax returns dropped by $474 million (38 percent) between tax year 2000 and 2001. But other factors figured prominently in the decline in income tax revenues as well:

- dividend income, which had been growing at rates of 8-10 percent, dropped by more than 19 percent;
- income from rents, royalties, and partnerships, which had been growing very strongly, grew at a rate of just 1.5 percent;
- taxable retirement income, which had been growing at a steady rate of about 8 percent per year, grew just 2.3 percent;
- taxable social security income, which had been growing at rates of around 10 percent per year, grew by less than 1 percent;
- farm income declined by 45 percent;
- the number of income tax returns filed, which had been growing at an average rate of more than 2 percent over the period 1990-2000, declined by 0.11 percent;
- the elderly homeowner/renter credit, which had been stable at around $8.8 million over the previous four years, jumped to $9.5 million;
- the share of total tax liability paid by part-year and nonresidents, which had grown steadily from 5.6 percent of total liability in 1991 to 7.2 percent in 2000, dropped to 6.6 percent in tax year 2001.

None of the above shifts were anticipated or expected. All of them acted to disrupt what previously had been fairly steady and predictable trends, adding an element of risk to current forecasts of revenue from this source, and to forecasts of capital gains income in particular.

**Corporate Profits** – Revenue from the Corporation License Tax is one of the more volatile sources of revenue, with collections ranging from $60 million to more than $100 million per year over the past decade. Corporation license taxes are collected from both "domestic" corporations (those corporations whose operations are conducted entirely within the state) and "multi-state" corporations (corporations whose activities are conducted in multiple states and whose incomes are apportioned among states based on apportionment formulae). Collections from domestic corporations have remained very stable over time; consequently, the volatility in this revenue source lies with collections from multi-state corporations.

# Economic Overview

Over the past decade, collections from multi-state corporations have tended to follow changes in U.S. corporate pre-tax profits, and forecasts of this measure of profit are used to forecast revenue from the corporation license tax. However, there are years in which this relationship simply does not hold, adding an element of risk to the forecast.

Recent changes in the corporate landscape in Montana have also imparted additional risk to collections from this source. For many years, the presence of the Montana Power Company, a regulated utility whose holdings were largely within the state, imparted a substantial degree of stability to corporation license tax collections. In recent years, however, the company's electric energy generation properties, electric and natural gas distribution properties, oil and gas business, coal mining business, and independent power production business have all been sold to large multi-state corporations whose business activities and assets lie primarily outside the state. Revenue to Montana from these multi-state corporations will now depend to a much greater extent on their business activities outside our borders, and how that income ultimately is apportioned to Montana, rather than on the certainty of the business activity of the Montana Power Company within our borders. An element of stability has been removed, and an element of risk has been added to this revenue source.

Also adding uncertainty to this revenue source is the ability of corporations to carryback or carryforward any net operating losses from a particular tax year. The recent downturn in revenues and net profits of many high-tech and telecommunications companies is likely to result in net operating loss carrybacks to prior profitable years, resulting in the issuance of a significant amount of refunds during FY 2003, and possibly even FY 2004.

**Property Tax** – The most significant factor impacting the property tax revenues for the FY 2005 biennium is the implementation of the 2003 reappraisal. Classes 3 (agricultural land), 4 (residential and commercial real property), and 10 (forest land) are subject to the implementation of the 2003 reappraisal cycle beginning with tax year 2003. If the new reappraised value for a property is an increase in value, then the new reappraised value will be phased-in over a six-year period beginning in tax year 2003. For those properties that have a decrease in appraised value, the new reappraisal value will take full effect in tax year 2003.

It is expected that reappraisal will increase the total taxable value of class 3 agricultural land by 15 percent over the six-year period from 2003 to 2008. The impact on class 10 forest land is taxable value neutral. For purposes of the property tax revenue estimate, it was necessary to make assumptions of the impact of reappraisal on class 4 property. The assumptions should be considered a reasonable guess of the impact of reappraisal. Data on the actual impact of reappraisal was not available at the time the property tax revenue estimate was written. The assumptions are that 85 percent of the property will increase in value and the remaining 15 percent will decrease in value. For those properties that increase, the average increase is set at 35 percent. This increase is phased-in over a six-year period beginning in tax year 2003. For those that decrease, the average decrease is set at 20 percent. This decrease takes full effect in tax year 2003.

Given the assumptions, the impact of reappraisal in FY 2004 is an increase in taxable value of $3,300,000 for class 3 property and an increase of $20,400,000 for class 4 property. This results in an increase in property tax revenue from class 3 and class 4 property of $2,200,000 ($23,700,000 x .095) to the state general fund in FY 2004.

For FY 2005, the second year of the implementation of reappraisal, the impact is greater. The increase in total taxable value is greater than in the prior year because the phasing-up of values that increased is no longer offset by the one-time full reduction of the values that decrease.

The impact of reappraisal in FY 2005 is an increase in taxable value of $6,800,000 for class 3 property and an increase of $75,000,000 for class 4 property. This increase in taxable value results in a property tax revenue increase of $7,700,000 ($81,800,000 x .095) for property classes 3 and 4. This increase of $7,700,000 is revenue to the state general fund.

Governor Judy Martz has assigned an advisory council of legislators and citizens to examine exclusively the important issues regarding the implementation of the 2003 reappraisal. The first meeting of the advisory council is set for November 21, 2002. Data on the actual impact of reappraisal will be available for the council to examine in December.

The property tax revenue estimate assumes that the trigger reducing the tax rate for class 8 business property *will not* be hit in tax year 2004 or 2005. If the trigger is hit in tax year 2004 then the total property tax revenue estimate would be reduced $1,500,000 in FY 2004 and reduced $5,700,000 in FY 2005. If the trigger is hit in tax year 2005, then the total

property tax revenue estimate would be reduced $1,500,000 in FY 2005. The dollar reductions listed are impacts to the state general fund revenue only. State general fund expenditure impacts in school funding have not been analyzed. The guaranteed tax base portion of school funding is tied to property tax values and would be affected by changes in the class 8 taxable values. The property tax revenue of local governments and school districts will also be reduced when the trigger is hit.

Beginning with FY 2003, the effects of SB 111 (1999 legislature), exempting intangible property of utilities, will no longer impact the property tax revenue estimate. SB 111 phased-in the exemption over a three-year period. During that period, the phase-in reduced the total taxable value of utilities by $42,000,000. The market value of utility property declined 3.5 percent during the phase-down period. For FY 2003 and after, the market value of utility property will no longer be reduced by SB 111 and will be subject to the natural value growth of that property.

**Interest Rates** – In 2001, the Federal Reserve repeatedly cut the rate at which it lends funds to banks. Cumulative rate cuts were more than 4.5 percent. Currently, this rate is the lowest it has been in fifty years. The Federal Reserve is expected to keep this rate low as long as the national economy remains sluggish, but to raise it as the recovery progresses.

Short-term interest rates, which primarily affect earnings of short-term investments that include the treasury cash account, closely follow the Federal Reserve discount rate. Short-term rates reached historic lows in FY 2002. They are expected to increase by 3 percent to 3.5 percent over the next two years and to stabilize in FY 2005.

Long-term interest rates generally are less volatile that short-term rates, and they have not fallen as much in the last two years. The average rate for 30-year treasury bonds fell by less than 0.5 percent from July 2001 to July 2002. Long-term interest rates are forecast to be about 0.5 percent lower in FY 2003 than in FY 2002, and then to increase by 0.5 percent in FY 2004 and again in fiscal FY 2005. However, the return on state trust funds is projected to change very little through FY 2005 because newly issued bonds make up a relatively small portion of the state's long-term investment portfolio.

**Natural Resource Extraction** – Taxes and royalties from natural resource extraction account for about 5 percent of general fund revenue. Coal production and prices are projected to be relatively stable through 2005. Oil production has been declining slowly for several decades and this decline is projected to continue. The price of oil is likely to continue to be volatile, with the average price likely to decrease by about 20 percent over the biennium. New production records have been set for natural gas each of the last three years and gas production is projected to continue to increase. Gas prices will vary seasonally, but are projected to be relatively stable on average. Metal production is in flux, with some mines closing while others are opening. Platinum and palladium prices have fallen in the last year, but the price of gold has increased. Overall, revenue from natural resource extraction is projected to decrease slightly through FY 2005.

# General Fund Revenue Forecast

**Table 1**
**General Fund Revenue Forecast**
**Montana Department of Revenue**

| Revenue Source | Actual FY2002 | Estimated FY2003 | Estimated FY2004 | Estimated FY2005 |
|---|---|---|---|---|
| Individual Income Tax | 517.568 | 520.968 | 558.786 | 603.485 |
| Property Tax | 169.339 | 172.573 | 181.692 | 192.928 |
| Corporation License Tax | 68.173 | 53.814 | 64.782 | 69.223 |
| Vehicle Taxes | 73.127 | 73.510 | 74.540 | 75.581 |
| Insurance Tax | 47.291 | 50.637 | 54.812 | 58.603 |
| Coal Trust Interest Earnings | 37.605 | 36.545 | 37.097 | 37.680 |
| Tobacco Settlement Funds | 18.647 | 19.069 | 3.105 | 3.150 |
| Other Revenue | 42.438 | 29.797 | 19.631 | 20.353 |
| U.S. Mineral Royalties | 19.772 | 22.918 | 22.822 | 23.049 |
| Estate Tax | 13.816 | 9.219 | 5.578 | 3.642 |
| TCA Interest Earnings | 13.192 | 10.723 | 13.201 | 16.631 |
| Video Gaming License Fee | 43.666 | 44.182 | 44.742 | 45.977 |
| Vehicle Registration Fee | 27.271 | 27.703 | 28.368 | 29.049 |
| Oil/NG Production Tax | 12.902 | 16.937 | 13.128 | 12.385 |
| Institutional Reimbursements | 14.283 | 14.977 | 13.831 | 14.186 |
| Telephone/Telecomm Tax | 19.594 | 20.355 | 19.389 | 22.265 |
| Coal Severance Tax | 8.469 | 10.461 | 8.505 | 8.285 |
| Cigarette Tax | 7.887 | 7.724 | 7.588 | 7.474 |
| Liquor Excise Tax | 9.514 | 9.962 | 10.451 | 10.964 |
| Electrical Energy | 4.197 | 4.329 | 4.329 | 4.329 |
| WET Tax | 2.906 | 3.332 | 3.332 | 3.332 |
| Nursing Facility Fees | 5.918 | 5.804 | 5.804 | 5.804 |
| Liquor Profits | 5.600 | 5.718 | 5.813 | 5.613 |
| Lottery | 7.467 | 6.421 | 6.298 | 6.363 |
| Investment Lic and Permits | 4.992 | 4.516 | 4.446 | 4.695 |
| Highway Patrol Fines | 4.062 | 4.094 | 4.138 | 4.203 |
| Metal Mines Tax | 3.329 | 4.636 | 2.995 | 2.848 |
| Driver's License Fee | 2.580 | 2.313 | 2.354 | 2.396 |
| Contractor's Gross Rec. Tax | 3.267 | 2.700 | 3.413 | 3.456 |
| Rail Car Tax | 1.490 | 1.577 | 1.668 | 1.652 |
| Tobacco Tax | 2.183 | 2.289 | 2.401 | 2.518 |
| Wine Tax | 1.232 | 1.252 | 1.272 | 1.293 |
| Telephone Tax | 0.212 | 0.000 | 0.000 | 0.000 |
| Beer Tax | 2.784 | 2.830 | 2.877 | 2.924 |
| **Total General Fund** | **1,216.775** | **1,203.885** | **1,233.188** | **1,306.336** |
| | | | | |
| **Dollar Change** | | **(12.890)** | **29.303** | **73.148** |
| **Percentage Change** | | **-1.06%** | **2.43%** | **5.93%** |

# Unified Prevention Budget

## Submitted by the Interagency Coordinating Council for State Prevention Programs

Purpose – **MCA 2-15-225**

*"prepare and present to the legislature and to the appropriate standing and interim legislative committees a unified budget for state prevention programs, which must be published in the governor's executive budget"*

Budget Criteria

This Unified Budget is not a functional budget, but rather a compilation of multi-agency prevention programs that assist Montana to reduce youth substance use. The Interagency Coordinating Council for State Prevention Programs (ICC) assembled the Unified Budget to illustrate the appropriation of prevention funds to communities to facilitate achieving this prioritized ICC goal. All appropriations reflected in this Unified Budget are also listed within their specific agency budgets.

ICC Goal

**Reduce youth use of tobacco, alcohol and other drugs by promoting alternate activities and healthy lifestyles.**

**Comprehensive Approach:**

Programs aim to postpone or reduce youth use of alcohol, tobacco or other drugs. They support prevention services provided by grants and contracted services to the community level. Schools and communities plan and create environments where teens are less likely to participate in risky drug-related behavior and more likely to take part in healthy, productive activities. Reflecting the above comprehensive approach, these budget figures are based on money available for grant making and community contracts, which does not include operating/internal administrative costs.

| Unified Prevention Budget Total | Total<br>Base Budget<br>**(FY03)** | Total<br>2005 Biennium<br>(FY 04 -FY05)<br>Budget Proposal |
|---|---|---|
| **08 Programs** | $8,462,486.00<br><br>**97.65% Federal Funds**<br>**2.35% State General Fund** | **$9,502,882.00**[a]<br><br>**91.33% Federal Funds**<br>**8.67% State General Fund** |

[a] Budget totals for each fiscal year in the biennium were identical and thus combined in the table. Totals are FY04 - $4,751,441.00 and FY05 - $4,751,441.00.

# Unified Prevention Budget

<table>
<tr><th>Benchmarks</th><th>Prevention Programs<br>Reflecting the above comprehensive approach, these budget figures are based on money available for grant making and community contracts, which does not include operating/internal administrative costs.</th><th>Base Budget<br>(FY 2003)</th><th>2005 Biennium Proposal<br>(FY 04-05)</th></tr>
<tr><td rowspan="8">Benchmark A<br>By 2005 decrease the number of H.S. students who report using ATOD in the past 30 days by 10%.<br><br>Baseline Year: 1999<br>• Cigarettes: 35%; 35% National<br>• Smokeless Tobacco: 18%; 8% National<br>• Alcohol: 58%; 50% National<br>• Marijuana: 26%; 27% National<br><br>Status Year 2001<br>• Cigarettes: 32 %; 28% National<br>• Smokeless Tobacco: 16%; 8% National<br>• Alcohol: 52 %; 47% National<br>• Marijuana: 27 %; 24% National<br><br><u>Benchmark B</u><br>Decrease the percentage of students who use alcohol, cigarettes and other drugs before the age of 13 by 10%.<br><br>Baseline Year: 1999<br>• Cigarettes: 25%; 25% National<br>• Alcohol: 33%; 32%</td><td></td><td>• $8,462,486.00</td><td>• $9,502,882.00</td></tr>
<tr><td>➢ Community Incentive Program (CIP) (DPHHS-AMDD)</td><td>$3,312,167.00<br>(0% state, 100% Federal)</td><td>$0.00<br>(0% state, 100% Federal)</td></tr>
<tr><td>➢ Enforcing Underage Drinking Laws (EUDL) (MBCC)</td><td>$342,000.00<br>(0% state, 100% Federal)</td><td>$684,000.00<br>(0% state, 100% Federal)</td></tr>
<tr><td>➢ Fetal Alcohol Syndrome (FAS) Consortium (DPHHS-HPSD)</td><td>$571,272.00<br>(0% state, 100% Federal)</td><td>$0.00<br>(0% state, 100% Federal)</td></tr>
<tr><td>➢ Montana Tobacco Use Prevention Program (MTUPP)</td><td>$884,465.00<br>(22.53% state, 77.47% Federal)</td><td>$1,807,562.00<br>(45.6% state, 54.4% Federal)</td></tr>
<tr><td>➢ Safe and Drug Free School (SDFS) (MBCC)</td><td>$438,416.00<br>(0% state, 100% Federal)</td><td>$876,988.00<br>(0% state, 100% Federal)</td></tr>
<tr><td>➢ Safe and Drug Free School (SDFS) (OPI)</td><td>$1,520,416.00<br>(0% state, 100% Federal)</td><td>$3,346,832.00<br>(0% state, 100% Federal)</td></tr>
<tr><td>➢ Substance Abuse Prevention and Treatment (SAPT) Block Grant (DPHHS-AMDD)</td><td>$1,293,750.00<br>(0% state, 100% Federal)</td><td>$2,587,500.00<br>(0% state, 100% Federal)</td></tr>
</table>

| | | | |
|---|---|---|---|
| National<br>• Marijuana: 12%; 11% National<br><br>Status Year: 2001<br>• Cigarettes: 22 %; 22 % National<br>• Alcohol: 35 %; 29 % National<br>• Marijuana: 12 %; 10 % National<br><br>*Data Source: Youth Risk Behavior Survey (YRBS)* | ➢ **Title V Juvenile Delinquency Prevention *(MBCC)*** | **$100,000.00 (0% state, 100% Federal)** | $200,000.00 (0% state, 100% Federal) |

DPHHS – Department of Public Health and Human Services (AMDD- Addictive and Mental Disorder Division, HPSD – Health Policy and Services Division), OPI – Office of Public Instruction, MBCC – Montana Board of Crime Control

## AMERICANS WITH DISABILITIES ACT

The Americans with Disabilities Act (ADA) gives federal civil rights protections to individuals with disabilities similar to those provided to individuals on the basis of race, color, sex, national origin, age, and religion. It guarantees equal opportunity for individuals with disabilities in public accommodations, employment, transportation, state and local government services, and telecommunications.

It is the policy of the State of Montana that discriminatory barriers to employment in state government on the basis of disability must be eliminated, in accordance with relevant state and federal law such as the Montana Human Rights Act of 1974, Section 504 of the Rehabilitation Act of 1973, and Titles I and II of the ADA of 1990. Several state personnel policies refer to the various provisions of these laws. The intent of this policy statement is to link together these provisions into one consolidated policy statement. Following is the agency progress report of ADA compliance:

KEY

Removing Physical Barriers:
A = All facilities are in the Capitol Complex.
B = No planning or initiatives in this area.
C = Preliminary planning underway in this area.
D = A well-developed transition plan exists and partial activity in this area.
E = A well-developed transition plan exists and major activity in this area.
F = Transition plan activities are complete; review process in place for new facilities.

ADA Implementation Progress:
0 = No planning or initiatives in this area.
1 = Preliminary planning underway in this area.
2 = A well-developed written self-evaluation exists in this area.
3 = Well-developed plans exist and partial activity in this area.
4 = Well-developed plans exist and major activity in this area.
5 = Major evidence of accessibility in this area.
6 = Continual review process in place to monitor need for activity as changes occur.

### AMERICANS WITH DISABILITIES ACT OF 1990 (ADA)
### 2003 BIENNIUM REPORT

Implementation Progress

| Agency | Program # | Removing Barriers | Services | Employ-ment | Public Meetings | Staff Training |
|---|---|---|---|---|---|---|
| **1104 Legislative Services** | All | A | 5 | 5 | 5 | 1 |
| **1112 Consumer Counsel** | 1 | B | 6 | 6 | 6 | 0 |
| **2110 Supreme Court** | All | A | 0 | 0 | 0 | 0 |
| **3101 Governor** | All | A | 6 | 6 | 6 | 6 |
| **3201 Secretary of State** | All | F | 6 | 6 | 6 | 6 |
| **3202 Political Practices** | 1 | A | 0 | 0 | 0 | 0 |
| **3401 State Auditor** | All | A | 6 | 6 | 6 | 6 |
| **3501 Office of Public Instruction** | All | F | 5 | 6 | 5 | 6 |
| **3513 College Tech/Great Falls** | All | F | 6 | 5 | 5 | 5 |
| **3514 College Tech/Helena** | All | D | 4 | 3 | 5 | 3 |
| **4107 Board of Crime Control** | All | A | 6 | 6 | 6 | 6 |
| **4110 Justice** | | | | | | |
| 4110 Attorney General | 1 | A | 3 | 5 | 3 | 2 |
| 4110 Gambling Control | 7 | B | 6 | 6 | 6 | 6 |
| 4110 Motor Vehicles | 12,17 | C | 6 | 6 | 2 | 6 |
| 4110 Highway Patrol | 13 | C | 2 | 5 | 2 | 3 |
| 4110 Law Enforcement Services | 18 | C | 1 | 5 | 1 | 1 |
| 4110 Law Enforcement Academy | 22 | E | 0 | 5 | 4 | 1 |
| 4110 Central Service | 28 | A | 5 | 5 | 5 | 3 |
| 4110 Comp Service & Plan | 29 | A | 1 | 5 | 1 | 1 |
| 4110 Forensic Science | 32 | E | 1 | 5 | 1 | 1 |
| **4201 Public Service Commission** | 1 | F | 6 | 6 | 6 | 6 |

# ADA Report

| Agency | Program # | Removing Barriers | Services | Employ-ment | Public Meetings | Staff Training |
|---|---|---|---|---|---|---|
| **5101 Bd of Public Education** | | | | | | |
| **5102 Comm of Higher Education** | | | | | | |
| 5102 Administration | 1 | F | 6 | 6 | 6 | 6 |
| 5102 Student Assistance Prog | 2 | F | 6 | 6 | 6 | 6 |
| 5102 Eisenhower Grant | 3 | F | 6 | 6 | 6 | 6 |
| 5102 Benefits Group | 5 | F | 5 | 6 | 6 | 5 |
| 5102 Talent Search | 6 | F | 3 | 3 | 3 | 3 |
| 5102 Perkins Program | 8 | F | 5 | 6 | 5 | 6 |
| 5102 Guaranteed Student Loan | 12 | F | 6 | 6 | 6 | 6 |
| 5102 Board of Regents | 13 | F | 6 | 6 | 6 | 6 |
| **5103 U of M – Missoula** | All | E | 4 | 6 | 6 | 6 |
| **5104 MSU / Bozeman** | All | D | 5 | 5 | 5 | 5 |
| **5105 MT Tech/U of M** | All | D | 3 | 6 | 3 | 6 |
| **5106 MSU / Billings** | | | | | | |
| **5107 MSU / Northern** | | | | | | |
| **5108 WMC / U of M** | | | | | | |
| **5109 MSU/Ag Exp Station** | | | | | | |
| **5110 Coop Extension Service** | | | | | | |
| **5113 School for Deaf & Blind** | All | C | 3 | 5 | 5 | 3 |
| **5114 MT Arts Council** | 1 | E | 5 | 6 | 6 | 1 |
| **5115 State Library** | 1 | A | 5 | 5 | 5 | 1 |
| **5117 Historical Society** | All* | A | 5 | 4 | 5 | 3 |
| **5119 Fire Services Training** | | | | | | |
| **5201 FWP** | | | | | | |
| 5201 Administration & Finance | 1 | D | 3 | 4 | 4 | 3 |
| 5201 Field Services | 2 | A | 4 | 4 | 5 | 3 |
| 5201 Fisheries | 3 | E | 5 | 5 | 5 | 3 |
| 5201 Law Enforcement | 4 | D | 4 | 5 | N/A | 3 |
| 5201 Wildlife | 5 | D | 4 | 4 | 5 | 3 |
| 5201 Parks | 6 | E | 4 | 4 | 5 | 3 |
| 5201 Conservation Education | 8 | D | 3 | 4 | 5 | 3 |
| 5201 Management | 9 | D | 3 | 4 | 5 | 3 |
| **5301 DEQ** | | | | | | |
| 5301 Central Services | 10 | A,F | 1 | 1 | 1 | 1 |
| 5301 Petroleum Board | 11 | C | 1 | 1 | 1 | 1 |
| 5301 Prevention Plan & Assist | 20 | A,F | 1 | 1 | 1 | 1 |
| 5301 Enforcement | 30 | A,F | 1 | 1 | 1 | 1 |
| 5301 Remediation | 40 | C | 1 | 1 | 1 | 1 |
| 5301 Permit & Compliance | 50 | A,F | 1 | 1 | 1 | 1 |
| **5401 Transportation** | | | | | | |
| 5401 General Operation | 1 | F | 6 | 6 | 6 | 6 |
| 5401 Construction | 2 | E | 4 | 5 | 5 | 4 |
| 5401 Maintenance | 3 | F | 4 | 4 | 6 | 6 |
| 5401 Motor Pool | 7 | F | 5 | 6 | 6 | 6 |
| 5401 Equipment | 8 | F | 6 | 6 | 6 | 6 |
| 5401 Motor Carrier Svc | 22 | E | 4 | 4 | 6 | 6 |
| 5401 Aeronautics | 40 | F | 6 | 6 | 6 | 6 |
| 5401 Transportation Planning | 50 | F | 6 | 6 | 6 | 6 |
| **5603 Livestock** | 1 | D | 3 | 0 | 1 | 0 |
| **5706 DNRC** | | | | | | |
| 5706 Trust Land Development | 4 | F | 5 | 6 | 6 | 6 |
| 5706 Central Services | 21 | F | 5 | 6 | 6 | 6 |
| 5706 Oil & Gas | 22 | F | 5 | 6 | 6 | 6 |
| 5706 Conservation Resource Dev | 23 | F | 5 | 6 | 6 | 6 |
| 5706 Water Resource Development | 24 | F | 5 | 6 | 6 | 6 |
| 5706 Reserved Water Rights | 25 | F | 5 | 6 | 6 | 6 |
| 5706 Forestry | 35 | C | 1 | 1 | 1 | 1 |
| **5801 Revenue** | | | | | | |
| 5801 Director's Office | 1 | A | 4 | 4 | 4 | 2 |

# ADA Report

| Agency | Program # | Removing Barriers | Services | Employ-ment | Public Meetings | Staff Training |
|---|---|---|---|---|---|---|
| 5801 Operation | 2 | A | 3 | 4 | 3 | 2 |
| 5801 Liquor | 5 | F | 5 | 4 | 5 | 2 |
| 5801 Income Tax | 6 | A | 3 | 4 | 5 | 2 |
| 5801 Natural Res Corp Tax | 7 | A | 3 | 4 | 5 | 2 |
| 5801 Property Tax | 8 | D | 1 | 4 | 3 | 2 |
| **6101 Administration** | | | | | | |
| 6101 Procurement & Printing | 6 | A | 1 | 5 | 5 | 1 |
| 6101 Property & Supply | 6 | B | 5 | 5 | 5 | 5 |
| 6101 Publication & Graphics | 6 | A | 1 | 5 | 1 | 1 |
| 6101 Acct & Management | 3 | A | 6 | 6 | 6 | 6 |
| 6101 Architecture & Engineering | 4 | A | 5 | 5 | 5 | 5 |
| 6101 Information Service | 7 | A | 1 | 6 | 1 | 2 |
| 6101 General Services | 8 | A,F | 6 | 6 | 6 | 6 |
| 6101 Mail Room | 13 | A | 0 | 0 | 0 | 0 |
| 6101 Financial | 14 | | | | | |
| 6101 MT Lottery | 15 | | | | | |
| 6101 Personnel | 23 | A | 5 | 6 | 6 | 5 |
| 6101 Risk Mgmt & Tort Defense | 24 | A,C | 1 | 6 | 1 | 1 |
| 6101 State Tax Appeal | 37 | A | 6 | 6 | 6 | 6 |
| **6102 Appellate Defender** | 1 | F | 5 | 5 | 5 | 5 |
| **6103 State Fund** | All | D | 6 | 6 | 6 | 3 |
| **6104 Public Employee Retirement** | 1 thru 9,35 | F | 2 | 2 | 3 | 1 |
| **6105 Teachers Retirement** | 1 | A | 3 | 6 | 3 | 6 |
| **6201 Agriculture** | | | | | | |
| 6201 Management | 15 | A | 6 | 6 | 6 | 6 |
| 6201 Agriculture Sciences | 30 | E | 5 | 6 | 5 | 6 |
| 6201 Agriculture Development | 50 | E | 5 | 6 | 5 | 6 |
| **6401 Corrections** | | | | | | |
| 6401 Riverside Youth | | E | 5 | 5 | 0 | 1 |
| 6401 MSP Administration | | D | 5 | 5 | 0 | 1 |
| 6401 MSP Security Facility | | D | 5 | 5 | 0 | 1 |
| 6401 Pine Hills | 3 | E | 5 | 5 | 0 | 1 |
| 6401 MCE | | C | 3 | 3 | 0 | 1 |
| 6401 TSCTC | | E | 5 | 5 | 0 | 1 |
| 6401 Juvenile Trans Center | | B | 0 | 0 | 0 | 1 |
| 6401 Probation/Parole | | B | 0 | 1 | 0 | 1 |
| 6401 Women's Prison | | D | 5 | 3 | 0 | 1 |
| 6401 DOC Central Services | | A | 0 | 4 | 3 | 3 |
| **6501 Commerce** | | | | | | |
| 6501 Economic Development | 51 | D | 6 | 6 | 6 | 6 |
| 6501 Travel Montana | 52 | | | | | |
| 6501 Section 8 | 54 | | | | | |
| 6501 Health Facility Authority | 71 | D | 6 | 6 | 6 | 6 |
| 6501 Science & Tech Alliance | 73 | D | 6 | 6 | 6 | 6 |
| 6501 Board of Housing | 74 | D | 6 | 6 | 6 | 6 |
| 6501 Board of Investments | 75 | D | 6 | 6 | 6 | 6 |
| 6501 Management | 81 | D | 6 | 6 | 6 | 6 |
| **6602 Labor & Industry** | | | | | | |
| 6602 Job Service | 1 | F | 6 | 6 | 6 | 3 |
| 6602 Unemployment Insurance | 2 | F | 5 | 5 | 5 | 5 |
| 6602 Central Service | 3 | A | 2 | 6 | 6 | 2 |
| 6602 Employee Relations | 4 | F | 6 | 6 | 5 | 6 |
| 6602 Prof & Occup License Bureau | 5 | F | 5 | 5 | 5 | 1 |
| 6602 Weights & Measures | 6 | F | 5 | 5 | 5 | 1 |
| 6602 Community Services | 7 | A | 2 | 6 | 6 | 2 |
| 6602 Building Codes | 8 | F | 5 | 5 | 5 | 1 |
| 6602 Work Comp Court | 9 | F | 6 | 5 | 6 | 3 |

| Agency | Program # | Removing Barriers | Services | Employ-ment | Public Meetings | Staff Training |
|---|---|---|---|---|---|---|

# ADA Report

| | | | | | | |
|---|---|---|---|---|---|---|
| **6701 Military Affairs** | | | | | | |
| 6701 Operation Support | 1 | C | 1 | 5 | 4 | 1 |
| 6701 Army National Guard | 12 | D | 2 | 6 | 6 | 3 |
| 6701 Air National Guard | 13 | F | 6 | 5 | 5 | 1 |
| 6701 Disaster & Emergency Svc | 21 | C | 2 | 5 | 4 | 1 |
| 6701 Veteran's Affairs | 31 | F | 6 | 5 | 5 | 1 |
| **6901 DPHHS** | | | | | | |
| 6901 MT Veteran's Home | 22 | D | 4 | 4 | 4 | 4 |
| 6901 Senior & Long Term Care | 22 | E | 4 | 4 | 4 | 4 |
| 6901 Child & Family Services | 3 | D | 4 | 4 | 4 | 4 |
| 6901 See below** | 4 | D | 4 | 4 | 4 | 4 |
| 6901 Child Support Enforcement | 5 | F | 5 | 5 | 5 | 5 |
| 6901 Fiscal Services Division | 6 | | | | | |
| 6901 Health Policy & Services | 7 | E | 4 | 5 | 4 | 4 |
| 6901 Quality Assurance | 8 | E | 4 | 4 | 4 | 4 |
| 6901 Operations & Technology | 9 | E | 4 | 4 | 4 | 4 |
| 6901 Disability Services | 10 | D | 4 | 4 | 4 | 4 |
| 6901 Addiction & Mental Disorders | 33 | D | 4 | 4 | 4 | 4 |

*Excludes original Governor's Mansion
**Statewide Advisory Councils, American Indian Advisory Council, Office of Legal Affairs, Office of Human Resources, Office of State and Local Relations, Office of Public Information

# Resource Indemnity Trust Tables

The table below represents the executive revenue estimates and the statutory allocation of the RIT interest for the 2005 biennium. The $5,893,000 total carries over for further distribution shown at the top of the recommendations on the second table.

**RIT Interest 2005 Biennium**

| | Fiscal 2003 | Fiscal 2004 | Fiscal 2005 | Biennium Total |
|---|---|---|---|---|
| RIT Interest Earnings (Exc Est) | 7,609,000 | 7,328,000 | 7,270,000 | 14,598,000 |
| Priority Statutory Allocation | | | | |
| Environmental Contingency Acct | | (175,000) | | (175,000) |
| Oil & Gas Prod. Damage Mit Acct | | (50,000) | | (50,000) |
| Water Storage Acct | | (500,000) | | (500,000) |
| Groundwater Assessment Acct | (300,000) | (300,000) | (300,000) | (600,000) |
| MSU Northern Stat Approp | (240,000) | (240,000) | (240,000) | (480,000) |
| FWP-Future Fishers | (350,000) | (250,000) | (250,000) | (500,000) |
| Renewable Resource Grant & Loan | (2,000,000) | (2,000,000) | (2,000,000) | (4,000,000) |
| Reclamation & Development Grants | (1,200,000) | (1,200,000) | (1,200,000) | (2,400,000) |
| | **$3,519,000** | **$ 2,613,000** | **$3,280,000** | **$ 5,893,000** |

The table below shows the proposed appropriations of the remaining interest and other revenues in the various RIT accounts recommended for the house bills and state agencies. Although the renewable resources account shows a $784,130 revenue shortfall, it is recognized that the $4 million grant program gets implemented over several biennia and can cash flow a deficit on paper of up to $1 million in the 2005 biennium.

**RIT Recommendations 2005 Biennium**

RIT Interest available for Distribution **5,893,000**

| | Renewable Resources (02272) | Reclamation & Development (02458) | Haz/Waste CERCLA (02070) | EQPF (02162) | Groundwater Assessment (02289) | Water Storage (02216) | Orphan Share (02472) |
|---|---|---|---|---|---|---|---|
| **Distribution % of RIT Interest** | 25.5% | 45% | 22% | 7.5% | 0% | 0% | 0% |
| Available Fund Balance Beginning FY2004 | 245,166 | 1,278,440 | 59,099 | 228,254 | 252,454 | 965,977 | 2,991,264 |
| Revenues (RATC, agency estimates) | | | | | | | |
| RIT Interest-Direct & % | 1,502,715 | 2,651,850 | 1,296,460 | 441,975 | 600,000 | 500,000 | |
| RIGWA proceeds | | 571,000 | | | 732,000 | | 271,000 |
| Sweep of Excess Coal Tax & Interest | 25,000 | | | | 666,000 | | |
| STIP/Other Interest | 26,000 | | 5,000 | 20,000 | | 20,000 | 25,000 |
| Cost Recoveries | | | | 1,230,000 | | | |
| Special Session Grant Adjustments | | 766,752 | | | | | |
| Proposed legislation fund transfer | | | 600,000 | | | | |
| Administrative Fees | 25,000 | | | | | | |
| State-Owned Project Revenue | | | | | | 384,025 | |
| **Total Revenues** | **$1,823,881** | **$5,268,042** | **$1,960,559** | **$1,920,229** | **$2,250,454** | **$1,870,002** | **$3,287,264** |
| **Exective Appropriations** | R&R | R&D | CERCLA | EQPF | GWATER | WATERS | ORPHAN |
| House Bills 6 & 7 Grants | 4,000,000 | 2,400,000 | | | | | |
| House Bill 6 Emergency/Private Grants | | | | | | | |
| MSU-Northern | 480,000 | | | | | | |
| UM-Bureau of Mines | | | | | 1,266,000 | | |
| DNRC CARD-Conservation Districts | 649,282 | 1,000,000 | | | | | |
| DNRC Water Resources Division | | | | | | 1,870,000 | |
| Proposed legislation fund transfer | | | | | | | 600,000 |
| DEQ-10-CSD-ATTY Pool/Brd of Env Review | | 72,527 | 37,172 | 1,705 | | | |
| DEQ-20-Planning-Prevention-Assistance Div | | | 322,013 | | | | |
| DEQ-30-Enforcement Div | | 9,463 | | | | | |
| DEQ-40-Remediation Div | | | 424,032 | 1,903,195 | | | 2,664,296 |
| DEQ-50-Permitting and Compliance | | 3,052,050 | 1,054,377 | | | | |
| Gov Office-Flathead Basin Commission | 99,020 | | | | | | |
| Judiciary-Water Court | 1,444,788 | | | | | | |
| Library Commission NRIS | 414,921 | 367,250 | | | | | |
| **Total Request** | **$2,608,011** | **$4,501,290** | **$1,837,594** | **$1,904,900** | **$1,266,000** | **$1,870,000** | **$3,264,296** |
| **Fund Balance** | **($784,130)** | **$766,752** | **$122,965** | **$15,329** | **$984,454** | **$2** | **$22,968** |
| | **Exp Req** | **10,851,795** | **Revenue** | **10,972,711** | **Diff** | **120,916** | |

# Individual Income Tax Advisory Council
# Final Report to Governor Judy Martz

September 16, 2002

On April 15, 2002, Governor Martz announced plans to significantly change Montana's tax structure. She proposed cutting income taxes by 10 percent in a manner that benefits all classes of Montana taxpayers, removing the perception that we are the highest income tax state, lowering our marginal capital gains rates, which are the highest in the region, and replacing the lost tax revenue with a tax that significantly targets non-residents. She also proposed to study whether local governments should have the option of imposing local tourist taxes.

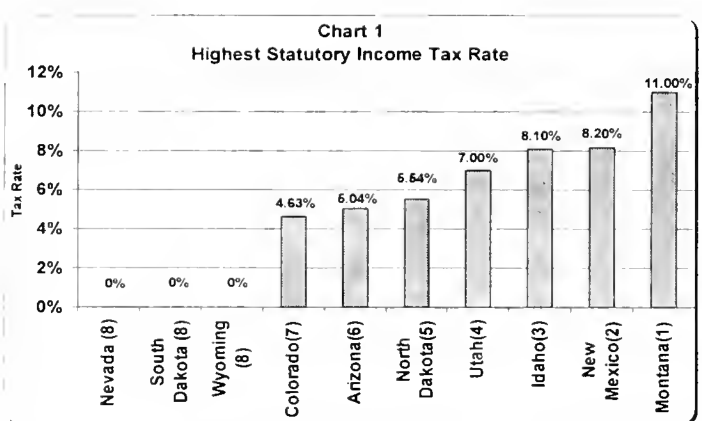
Governor Martz appointed three advisory councils to develop specific recommendations for the three parts of this tax reform proposal: an Individual Income Tax Advisory Council, a Tourist Tax Advisory Council, and a Local Option Tourist Tax Advisory Council.

The charge to the Governor's Individual Income Tax Advisory Council was to:

> *Recommend a proposal to reduce Montana's income tax by 10% in a manner that benefits Montana taxpayers at all income levels, reduces the top marginal rates and reduces the effective capital gains rates. To accomplish these goals, the council shall explore eliminating federal deductibility.*

The Council met four times, on May 30, June 20, July 17 and September 16.

**Change Imperative** - *A state's tax structure, if significantly out of line with that of surrounding and competing states, can impede economic development. A detailed examination of Montana's tax rates in comparison with those in other states conducted in the fall of 2001 showed that Montana's tax rates, for the most part, are competitive with respect to neighboring and other Rocky Mountain states.*




The prominent exception to this general finding lies with Montana's top marginal individual income tax rate, which at 11 percent is not only the highest in the region (see Chart 1), but among the highest in the nation.

But Montana is one of just a few of states that allows taxpayers to fully deduct their federal income taxes. This acts to reduce Montana's *effective* tax rate below 11 percent. For example, in tax year 2000 a taxpayer paying federal taxes at the highest federal rate of 39.6 percent would pay the federal government $39.60 on the last $100 of income earned. For Montana income tax purposes this person is able to deduct this $39.60 before applying the state's top rate of 11 percent, which means that this person would pay the state just $6.60 on the last $100 earned, for an effective tax rate of just 6.6 percent ($100 – 39.60 = $60.40 X .11 = $6.60 / $100 = 6.6%). For taxpayers in the 28 percent federal rate bracket, the effective tax rate goes up to 7.92 percent ($100 – 28 = $72 X .11 = $7.92/$100 = 7.92%). These effective rates will increase as the federal rate reductions included in the Economic Growth and Tax Relief Reconciliation Act of 2001 are phased in through tax year 2006.

The fact that Montanans are able to deduct in full any federal income taxes paid during the tax year acts to reduce the *effective* tax rate paid by many taxpayers; but nevertheless leaves the *perception* of Montana as the highest income tax state to those uninitiated in the finer points of tax preparation. This, in itself, can act to prevent entrepreneurs and other business owners from locating in Montana, depriving the state of new jobs and an increase in the tax base.

Perhaps more importantly, Montana's top individual income tax rate, notwithstanding federal deductibility, results in the highest marginal tax rate on capital gains income in the region. Because the federal government's highest marginal tax rates on capital gains income are much lower than the highest marginal tax rates on "ordinary" income, *Montana's effective tax rate on capital gains income is much higher than on ordinary income!*

To illustrate, take the case of the person discussed above who this time has $100 of capital gains income rather than ordinary income. In tax year 2000 the federal maximum rate on capital gains income was 20 percent (rather than 39.6 percent for ordinary income). Therefore, this person would pay the federal government $20 on the last $100 of capital gains income. Again, this person would deduct this amount before paying state income taxes. At the state's top rate of 11 percent this would result in additional state tax of $8.80 ($100 – 20 = $80 X .11 = $8.80), for an effective marginal tax rate of 8.8 percent ($8.80/$100 = 8.8%). This effective rate will increase to 9 percent for some long-term capital gain income as the federal rate is reduced to 18 percent.

These relatively high effective rates of taxation on capital gains income can have serious adverse impacts on capital formation in the state, again depriving the state of good paying jobs and tax base.

This was reinforced by Dave Gibson, the state Chief Business Officer in the Governor's Office of Economic Opportunity, who provided the Council with several real world examples of where taxpayers and businesses either did not consider Montana a viable place to move to, or left the state to avoid the severe tax penalties associated with one-time capital gains events.

To address these concerns, Governor Martz created the Individual Income Tax Advisory Council that has provided recommendations on how to:

- reduce the state's top marginal tax rate to a level close to the regional and national average,
- make our marginal rate of taxation on capital gains income competitive with that in neighboring and other Rocky Mountain states, and
- provide for a 10 percent reduction in individual income taxes that reduces average tax liability for all classes of taxpayers.

This report presents the final findings and recommendations of the Council.

Tax Reform Issues and Options

During the course of their deliberations, the Council discussed a variety of issues pertaining to reforming the individual income tax to meet the economic development goals stated in the Council charge. The major issues discussed included:

- the level to which the top marginal income tax rate should be reduced;
- whether the current law deduction for federal income taxes should be eliminated entirely, or capped at some appropriate level;
- whether there should be some preferential treatment of capital gains income, and what that treatment should be;
- and how the overall 10 percent reduction in tax liability should be distributed across income brackets.

In examining these issues the Council considered the trade-offs that naturally occur between equity considerations, including the by-income-bracket interaction of the income tax reduction coupled with the tourist tax increases; ease of administration, overall simplicity and taxpayer compliance; minimizing the number of taxpayers that would experience a tax increase under any reform proposal; and the best approaches to marketing Montana's tax structure.

These issues and other considerations are discussed in greater detail in the following sections.

Top Marginal Tax Rate

The Council agreed that Montana's current top marginal tax rates of 9 – 11 percent provide an impediment to economic development through the perception they create of Montana being the highest individual income tax state. It was noted that in order to bring this rate more into alignment with rates in the region that the top rate should be reduced to something below 7 percent.

Early on, it was suggested that the top rate should be reduced to 6.75 percent, which is the flat rate applied to corporate income in Montana, to eliminate much of the current planning now required to determine the most beneficial form of business ownership when operating a business in Montana. This would provide for equal marginal rates of taxation regardless of whether the form of business ownership was corporate or some form of "pass-through" ownership in which individual owner shares are subject to the individual income tax.

It was noted that the cost between a top rate of 6.9 percent and 6.75 percent was about $8 million. Several members of the Council noted that the $8 million could be used to provide for additional capital gains reductions, could be used to provide additional relief to the low end of the income scale to offset increases on those taxpayers from the tourism tax, and that from a marketing point of view there was not much difference between a rate of 6.9 percent and 6.75 percent.

After fully discussing the matter, the Council came to consensus that the top rate should be reduced to 6.9 percent.

### Eliminate or Cap the Deduction for Federal Income Tax

The Council agreed that there were significant trade-offs between eliminating the current law deduction for federal income taxes, and capping that deduction at an appropriate level.

There were concerns that capping the deduction would continue misconceptions about the state's effective income tax and capital gains rates for those taxpayers whose incomes resulted in federal tax liabilities below the cap amount. It was also noted that full elimination of the deduction would add a greater degree of simplification to the overall tax system than retaining a cap on the deduction.

On the other hand, federal deductibility is the largest, and in some cases the only, deduction available to most low- and middle-income households, particularly those who have paid off their homes. One Council member argued that without some cap provision it could become politically difficult to sell the proposal.

More importantly, however, providing for a reasonable cap on federal deductibility acted to greatly reduce the number of households and taxpayers that experienced an increase in tax liability under any of the alternative options presented and discussed. It was this benefit that capping had on the number of households and taxpayers who would lose under any of the options discussed that ultimately swayed the Council in favor of retaining a cap on federal deductibility. The Council further agreed that capping federal deductibility at $5,000 ($10,000 if married and filing a joint income tax return) was appropriate.

### Tax Treatment of Capital Gains Income

The Council members generally acknowledged that Montana's current tax treatment of capital gains income often acts to move people out of the state, particularly when the capital gains income is a one-time occurrence that subjects the taxpayer to Montana's highest marginal rates. It becomes very beneficial for the taxpayer to take up residence in a nearby state that has no state income tax (such as Nevada or Wyoming) in order to avoid the Montana tax bite on a one-time capital gains transaction.

The Council agrees that reducing Montana's top marginal tax rate from 11 percent to 6.9 percent by itself would act to reduce the effective tax rate on capital gains income. However, the sentiment among Council members was that preferential treatment of capital gains income – in order to provide an incentive for keeping taxpayers in the state, to induce capital formation, and to enhance economic development in general – should be a high priority. This concern warranted examining additional preferential tax treatment for capital gains income, provided that treatment was affordable and did not result in an extremely disproportionate benefit to any particular class of taxpayer.

The Council members examined and discussed three alternative approaches to providing for preferential tax treatment for capital gains income:

- provide for an *exclusion* of capital gains income;

- provide for a *top marginal rate* of taxation on capital gains income below the top rate applied to "ordinary" income; and

- provide taxpayers with a nonrefundable capital gains income tax *credit*.

The Council noted that although capital gains income is received by taxpayers in virtually every income bracket, it is highly concentrated in the upper income brackets. It was also noted that a large capital gains event, such as the sale of a business, farm or ranch, can cause a middle-income taxpayer to be taxed one year in the upper income brackets. With respect to capital gains income, the Council narrowed the focus to alternative proposals that would provide either:

- a top marginal rate of 5 percent on capital gains income,

- a 30 percent exclusion of capital gains income, or

- a tax credit equal to 1 percent of capital gains income.

In their deliberations, Council members discussed and debated several different features of alternative approaches to providing preferential treatment for capital gains income. It was noted that both the 30 percent exclusion and the 1 percent credit would provide a benefit to virtually all taxpayers across all income brackets who had capital gains income, whereas the proposal to cap the top marginal rate on capital gains at 5 percent would benefit only those households whose marginal tax rates would otherwise be greater than 5 percent under the proposed law rate table. This latter approach concentrated more of the benefit from preferential treatment of capital gains income in the higher income brackets.

One Council member pointed out that a 1 percent capital gains tax credit would effectively reduce the top marginal tax rate on capital gains income to 5.9 percent, given a top rate of 6.9 percent on ordinary income. This represents about a 15 percent reduction on capital gains income for taxpayers in the highest income bracket under the proposed tax rate schedule. On the other hand, a 1 percent capital gains tax credit results in a 50 – 100 percent reduction in tax on capital gains for taxpayers in the very lowest taxable income brackets under the proposed law tax rate schedules endorsed by the Council.

Members of the Council also suggested that either the 1 percent credit or the top marginal rate of 5 percent approach would make for better marketing of the state's tax system, whereas an exclusion of capital gains income would not be as effective a marketing tool. Of the three approaches, it was further noted that the top marginal rate approach would be the most complicated to administer and compute for the taxpayer.

Finally, of the three options, the 1 percent credit was the least expensive, costing around $12 million in tax year 2000. (Capping the top rate on capital gains at 5 percent would have cost an additional $16.4 million, whereas the 30 percent exclusion would have cost almost $23 million, *after the proposed law tax rate tables with a top marginal rate of 6.9 percent were assumed to be in place.*)

Based on the above discussions and considerations, it was the consensus of the Council that the preferred approach to providing for preferential capital gains treatment is the 1 percent credit approach.

The impact that the Council's recommendations have on the effective marginal tax rate applied to capital gains income is provided in Table 1. But first, a brief explanation of what these particular tax rates represent is warranted.

Taxpayers and businesses looking to locate or relocate their business or personal residence are influenced by tax rates they face in different locations. Effective tax rates from state to state are influenced by both the state's tax code and how that tax code interacts with federal income tax laws. While the federal code allows all taxpayers to deduct their state income taxes when figuring federal tax liability, most states do not allow their taxpayers to fully deduct federal taxes when figuring their state taxes. Some states allow a partial deduction of federal taxes, and yet other states that strictly tie to the federal definition of allowable itemized deductions inherently allow a deduction for their own state income taxes when figuring their state income taxes. This wide array of deductibility options results in a variety of complicated formulas designed to provide tax practitioners with effective tax rates depending on the interaction of a particular state's tax code with that of the federal government. Generally speaking, these effective tax rate formulas depend on 1) the state marginal tax rate on ordinary income; 2) the state marginal tax rate on capital gains income; 3) the federal marginal

tax rate on ordinary income; and 4) the federal marginal tax rate on capital gains income. It becomes very technical and complicated, so the experts did the math for the Council.

What Table 1 shows is the *combined federal/state effective marginal tax rate on ordinary and capital gains compared to a state like Wyoming*, which has no income tax. These are the tax rates that many taxpayers face when deciding which state with an income tax to locate in. The impact that the Council's recommendations have on Montana's effective rates is summarized in Table 1. It should be noted that some taxpayers with unpredictable income are not able to maximize their federal deductibility and actually experience higher tax rates.

With respect to *ordinary income*, the Council's recommendations would reduce the effective marginal tax rate by 18.6 percent to 7 percent, depending on the taxpayer's federal marginal rate on ordinary income, regardless of whether the 1 percent capital gains credit is included in the proposal or not.

Under the Council's recommendation that **does not include any preferential capital gains treatment (Option A)**, the effective marginal rate on *capital gains income* would be reduced by 23.7 percent to 26.4 percent depending on the taxpayers federal marginal rate on ordinary income, and whether capital gains is taxed at a maximum rate of 20 percent or 18 percent (effective first in tax year 2006) at the federal level.

Finally, under the Council's recommendation that **includes a 1 percent capital gains credit (Option B)**, the effective marginal rate on *capital gains income* would be reduced by 34.8 percent to 37 percent depending on the taxpayers federal marginal rate on ordinary income, and whether capital gains is taxed at a maximum rate of 20 percent or 18 percent (effective first in tax year 2006) at the federal level.

**Table 1**
**Change in Combined Federal/State Marginal Individual Income Tax Rates**
**On Ordinary and Capital Gains Income - TY2006**

| | Federal Marginal Rate on Ordinary Income | | | |
|---|---|---|---|---|
| | 25% | 28% | 33% | 35% |
| **A. Marginal Rate on Ordinary Income - Options A and B** | | | | |
| Current Law (11%) | 6.4% | 5.9% | 5.1% | 4.8% |
| Proposed Law (6.9%) | 5.2% | 5.0% | 4.6% | 4.5% |
| **% Change** | **-18.6%** | **-15.5%** | **-9.8%** | **-7.0%** |
| **B. Marginal Rate on Capital Gains Income (20% Federal Rate) - Option A** | | | | |
| Current Law (11%) | 6.8% | 6.5% | 6.1% | 6.0% |
| Proposed Law (6.9%) | 5.2% | 5.0% | 4.6% | 4.5% |
| **% Change** | **-23.7%** | **-24.0%** | **-24.5%** | **-24.5%** |
| **C. Marginal Rate on Capital Gains Income (20% Federal Rate) - Option B** | | | | |
| Current Law (11%) | 6.8% | 6.5% | 6.1% | 6.0% |
| Proposed Law (5.9%) | 4.4% | 4.3% | 4.0% | 3.8% |
| **% Change** | **-34.8%** | **-35.0%** | **-35.5%** | **-35.5%** |
| **D. Marginal Rate on Capital Gains Income (18% Federal Rate) - Option A** | | | | |
| Current Law (11%) | 7.0% | 6.7% | 6.3% | 6.1% |
| Proposed Law (6.9%) | 5.2% | 5.0% | 4.6% | 4.5% |
| **% Change** | **-25.6%** | **-25.8%** | **-26.3%** | **-26.4%** |
| **E. Marginal Rate on Capital Gains Income (18% Federal Rate) - Option B** | | | | |
| Current Law (11%) | 7.0% | 6.7% | 6.3% | 6.1% |
| Proposed Law (5.9%) | 4.4% | 4.3% | 4.0% | 3.8% |
| **% Change** | **-36.4%** | **-36.6%** | **-37.0%** | **-37.0%** |

Under current law, Montana's effective marginal tax rate on *ordinary income* ranks 3rd, 4th, or 5th highest, depending on the taxpayer's federal marginal rate on ordinary income. Under the Council's recommendations this would drop to 5th regardless of the taxpayer's federal marginal rate on ordinary income.[1]

With respect to *capital gains income, if the federal marginal rate is 20 percent*, Montana's rank drops from 2nd to 5th under recommendations that do not include any preferential capital gains treatment; but drops to 6th if the recommendations include the 1 percent capital gains credit, regardless of the taxpayer's federal marginal rate on ordinary income.

*If the federal marginal rate is 18 percent*, Montana's rank generally drops from 1st to 5th under recommendations that do not include any preferential capital gains treatment; but drops to 6th if the recommendations include the 1 percent capital gains credit.

As stated earlier, it was the consensus of the Council that the preferred approach to providing for preferential capital gains treatment is the 1 percent credit approach. However, the Council also recognized that the impact analyses being provided to the Council were based on tax year 2000 individual income tax return data, and that tax year 2000 was likely to be an extraordinary year with respect to capital gains income, relative to coming years.

In Montana, from 1996 to 2000 capital gains income reported on individual income tax returns more than doubled, growing from $616 million to $1.26 billion. The Congressional Budget Office, DRI-WEFA, and other states have indicated that they believe capital gains realizations reported on income tax returns could drop as much as 50 percent between tax year 2000 and 2001. A preliminary reading of the tax year 2001 Montana tax returns indicates a drop of 50 percent in Montana realizations before counting capital gains reported on returns filed on extensions.

Given these considerations, the Council believes that the administration should wait until tax year 2001 income tax information is available from the Department of Revenue. If that information shows a significant reduction in capital gains income between tax year 2000 and tax year 2001, then the final recommendation for a 10 percent tax cut should include provisions for a capital gains tax credit of 1 percent.

Distribution of Tax Relief

The Governor's charge to the Council was to provide for an overall 10 percent reduction of individual income tax liability "in a manner that benefits Montana taxpayers at all income levels". The Council agreed that this does not necessarily mean that every taxpayer would receive a 10 percent cut in tax; nor would the average tax reduction in every income bracket necessarily be 10 percent.

The Council noted that there is a trade-off between providing a 10 percent reduction for every income bracket, and minimizing the number of taxpayers with a tax increase. Generally, the number of taxpayers who would experience a tax increase is reduced if the proposal does not provide for a 10 percent reduction in every tax bracket. This is due in part to the fact that the number of taxpayers tends to be clustered in lower income brackets.

The Council also agreed that the income tax proposal should be constructed in such a manner that when the tax decreases from the income tax proposal are combined with the average tax increase on Montana residents from the tourist tax proposal, no income bracket experiences more than a nominal increase in average net tax liability. This is illustrated in Table 2, which shows the combined change in tax liability from the income tax proposal (without any preferential treatment for capital gains), and the tourist tax proposal.

[1] Comparison states included Arizona, California, Colorado, Idaho, Montana, New Mexico, North Dakota, Oregon, and Utah.

Table 2 - Option A

**Montana Combined Income/Tourist Tax Impact by Income Bracket - Calendar Year 2004**

| Description | Statewide | $5,000 to $9,999 | $10,000 to $14,999 | $15,000 to $19,999 | $20,000 to $29,999 | $30,000 to $39,999 | $40,000 to $49,999 | $50,000 to $69,999 | $70,000 and over |
|---|---|---|---|---|---|---|---|---|---|
| **General Household Information[2]** | | | | | | | | | |
| Average Income Before Taxes | $40,519 | $8,623 | $13,942 | $19,561 | $27,648 | $38,819 | $50,083 | $66,074 | $128,188 |
| Average Total Expenditures | $39,284 | $16,860 | $22,271 | $27,535 | $32,677 | $39,605 | $46,133 | $56,053 | $86,718 |
| Average Expenditures on Taxed Items | $2,535 | $934 | $1,194 | $1,612 | $2,035 | $2,661 | $2,991 | $3,673 | $5,924 |
| Tourism Expenditures, % of Total Expenditures | 6.5% | 5.5% | 5.4% | 5.9% | 6.2% | 6.7% | 6.5% | 6.6% | 6.8% |
| Average Number in Household | 2.4 | 1.7 | 2.0 | 2.2 | 2.5 | 2.5 | 2.6 | 2.9 | 3.1 |
| Total Number of Households | 358,667 | 39,415 | 38,563 | 34,566 | 51,303 | 38,099 | 30,699 | 42,647 | 44,107 |
| **Net Tax Impact** | | | | | | | | | |
| **Average Tourist Tax** | **$79** | **$29** | **$37** | **$50** | **$63** | **$83** | **$93** | **$114** | **$184** |
| **Average Income Tax Reduction** | **($121)** | **($26)** | **($43)** | **($54)** | **($75)** | **($120)** | **($160)** | **($220)** | **($402)** |
| **Average Net Tax Impact** | **($43)** | **$3** | **($6)** | **($4)** | **($12)** | **($37)** | **($67)** | **($106)** | **($219)** |

[1]This includes the tourist tax base as recommended by the Governor's Tourist Tax Advisory Council. The income tax changes reflect Option A from the 9/16/02 meeting of the Governor's Income Tax Advisory Council. The tourist tax rate is about 3.34%.

[2]The following is the source of expenditures used in this example: *Consumer Expenditure Survey*, Bureau of Labor Statistics, U.S. Department of Labor, 1999.

Table 2 - Option B

**Montana Combined Income/Tourist Tax Impact**
**by Income Bracket - Calendar Year 2004**

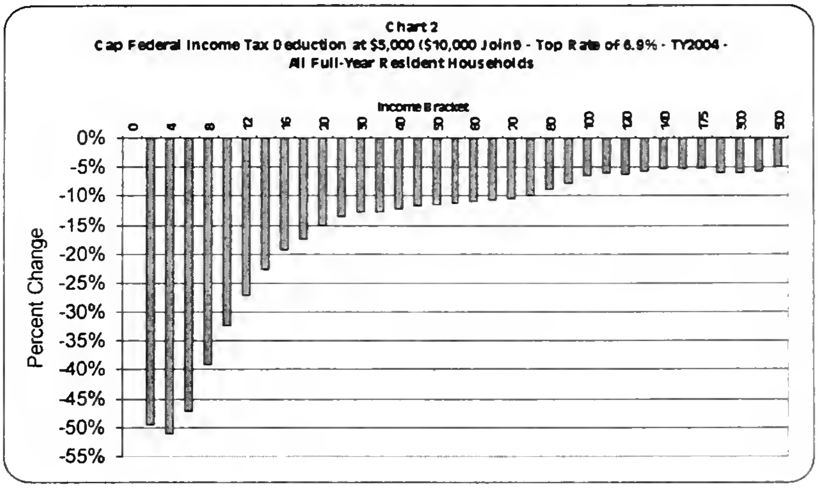
| | | Income Brackets | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Description | Statewide | $5,000 to $9,999 | $10,000 to $14,999 | $15,000 to $19,999 | $20,000 to $29,999 | $30,000 to $39,999 | $40,000 to $49,999 | $50,000 to $69,999 | $70,000 and over |
| **General Household Information**[2] | | | | | | | | | |
| Average Income Before Taxes | $40,519 | $8,623 | $13,942 | $19,561 | $27,648 | $38,819 | $50,083 | $66,074 | $128,188 |
| Average Total Expenditures | $39,284 | $16,860 | $22,271 | $27,535 | $32,677 | $39,605 | $46,133 | $56,053 | $86,718 |
| Average Expenditures on Taxed Items | $2,535 | $934 | $1,194 | $1,612 | $2,035 | $2,661 | $2,991 | $3,673 | $5,924 |
| Tourism Expenditures, % of Total Expenditures | 6.5% | 5.5% | 5.4% | 5.9% | 6.2% | 6.7% | 6.5% | 6.6% | 6.8% |
| Average Number in Household | 2.4 | 1.7 | 2.0 | 2.2 | 2.5 | 2.5 | 2.6 | 2.9 | 3.1 |
| Total Number of Households | 358,667 | 39,415 | 38,563 | 34,566 | 51,303 | 38,099 | 30,699 | 42,647 | 44,107 |
| **Net Tax Impact** | | | | | | | | | |
| **Average Tourist Tax** | **$79** | **$29** | **$37** | **$50** | **$63** | **$83** | **$93** | **$114** | **$184** |
| **Average Income Tax Reduction** | **($120)** | **($25)** | **($44)** | **($56)** | **($68)** | **($100)** | **($137)** | **($187)** | **($463)** |
| **Average Net Tax Impact** | **($41)** | **$4** | **($7)** | **($6)** | **($5)** | **($17)** | **($44)** | **($73)** | **($279)** |

[1]This includes the tourist tax base as recommended by the Governor's Tourist Tax Advisory Council. The income tax changes reflect Option A from the 9/16/02 meeting of the Governor's Income Tax Advisory Council. The tourist tax rate is about 3.34%.

[2]The following is the source of expenditures used in this example: *Consumer Expenditure Survey*, Bureau of Labor Statistics, U.S. Department of Labor, 1999.

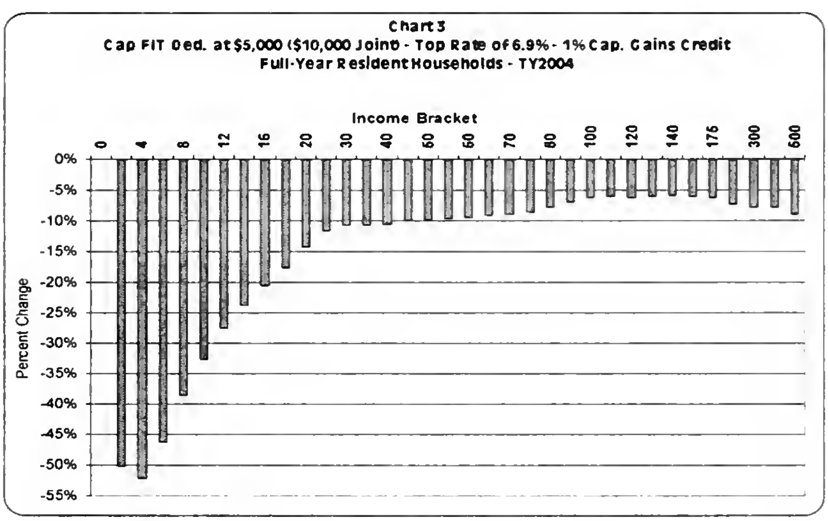
In order to achieve this result it was the Council's consensus that the *percentage* reduction in tax liability under the income tax proposal should be substantially larger in the very lowest income brackets, and gradually reduced as incomes rise.

Chart 2 shows the tax year 2004 forecast percentage reduction in tax liability by income bracket under the proposal *without any preferential treatment of capital gains income*.




Percentage reductions range from around 50 percent in the very lowest income brackets; fall to 10 – 15 percent for households with incomes between $20,000 and $75,000; and drop to around 5 – 6 percent for households with incomes above $110,000.

Chart 3 shows the tax year 2004 forecast percentage reduction in tax liability by income bracket under the proposal that *includes a 1 percent capital gains tax credit*




In general, the overall pattern of reductions is similar to that in the proposal that has no preferential capital gains treatment. However, percentage reductions for households with incomes ranging from $20,000 to $110,000 are slightly lower, whereas percentage reductions for households with incomes above $110,000 are higher than under the option with no preferential capital gains treatment. Providing for the capital gains preference shifts some of the overall tax benefit away from middle-income households to higher-income households.

## Individual Income Tax Advisory Council
# Final Report to Governor Judy Martz

Summary of Recommendations

It is the general consensus of the Governor's Individual Income Tax Advisory Council that the following recommendations be made with respect to the charge given the Council:

- The top marginal tax rate for the Montana individual income tax should be reduced from its current level of 11 percent to 6.9 percent.

- The current law deduction for federal income taxes paid should be capped at $5,000 ($10,000 if married and filing a joint tax return).

- The administration should consider including in any proposed individual income tax reform legislation a tax credit equal to 1 percent of the taxpayer's capital gains income, if the information from tax year 2001 individual income tax returns indicates that the cost of this proposal does not substantially prohibit achieving any of the other stated goals and objectives included in the Governor's charge to the Council.

- The total amount of tax relief provided through a 10 percent reduction in individual income taxes should be distributed across income brackets in a manner that ensures that no taxpayer income class experiences more than a nominal increase in tax when the tax increase effects of the tourist tax are combined with the individual income tax reduction.

| | |
|---|---|
| Bob DePratu | Chairman |
| Kurt Alme | Vice Chairman |

## GOVERNOR'S TOURIST TAX ADVISORY COUNCIL
## FINAL REPORT
September 12, 2002

On April 15, 2002, Governor Judy Martz proposed significantly changing Montana's tax structure. She proposed to cut income taxes by 10 percent in a manner that benefits all classes of Montana taxpayers, fixes the perception that we are the highest income tax state, lowers our marginal capital gains rates which currently are the highest in the region, and replaces the lost tax revenue with a tax that significantly targets nonresidents. She also proposed to study whether local governments should have the option of imposing local tourist taxes.

Governor Martz appointed three advisory councils to develop specific recommendations for the three parts of this tax reform proposal - an income tax cut, a tourist tax, and a possible local option tourist tax.

The charge to the Governor's Tourist Tax Advisory Council was:

> Recommend items that should be taxed under a statewide tourist tax to ensure tourists pay an appropriate share of the state's tax burden and the other provisions necessary to administer the tourist tax. The tourist tax must raise enough revenue to fund the income tax reduction.

The Council met three times, on June 7, June 25 and August 30. The Council heard presentations on taxes that tourists pay in other states, sales of items that might be subject to a tourist tax, trends in tourism in Montana, the existing resort taxes, and legal and administrative issues related to a sales tax.

### ISSUES CONSIDERED

The Council's deliberations centered on six areas: the structure of the tax, the tax base, seasonality, uniformity, a vendor allowance, and an appropriate name for the tax.

**Structure -** The Council considered whether the tax should be a tax on sales of categories of goods and services, a tax on the gross receipts of types of businesses, or a combination of the two. The Council found that, from a legal standpoint, the two types of taxes were roughly equivalent. A tax on types of businesses would be easier to administer and might be easier for some types of business to comply with. On the other hand, with a tax on types of businesses, the same item would be taxed when sold by some vendors and not by others.

**Tax Base -** The Council's primary purpose was to recommend which sales should be taxed. The Council found that there was a general tradeoff between having a broader base, which would allow a lower rate, and having nonresidents pay a larger percentage of the tax. With a tax limited to types of sales where a significant percentage are purchased by nonresidents, a higher rate would be required to raise the needed revenue. With the tax base recommended by the Council, nonresidents would pay about 46% of the tax.

**Seasonality -** The Council considered whether the tax should be the same year round, should only be imposed during peak travel seasons, or should have a higher rate during peak travel seasons. The Council found that a tax imposed only for part of the year would need to have a significantly higher rate or a significantly broader base to raise the same revenue. The Council also found that Montana has significant numbers of visitors all year. A seasonal tax also would pose challenges for administration and compliance.

**Uniformity -** The Council considered whether the tax rate should be the same on all taxable sales or higher on some sales and lower on others. The Council was not presented with any arguments for taxing particular sales at either a higher or lower rate.

**Vendor Allowance -** The Council considered whether vendors should keep a percentage of the tax they collect as compensation for the costs of complying with the tax. The Council also considered how a vendor allowance should be structured. This included the percentage of collections that vendors should retain, whether there should be a cap on the allowance for large vendors and whether there should be a minimum allowance for small vendors.

**Tax Name -** Council members expressed concern that the name "Tourist Tax" was inappropriate

because it sends a message that tourists are being singled out, and may give the inaccurate perception that Montana taxes tourists more than other states. The Council considered other possible names for the tax.

**RECOMMENDATIONS**

The Council makes the following seven recommendations:

1. In general, the tax should be on sales of categories of goods and services. However, there are types of business where this is impractical, and there should be an option for those businesses to pay the tax on their gross receipts.
2. The tax should be on the following categories of goods and services, as shown in Appendix A:
   - prepared food
   - alcoholic beverages sold by the drink
   - accommodations
   - rental cars
   - rental of recreational equipment
   - guided recreation and sightseeing
   - admissions (except for movies and school sports)
   - camp tuition
   - recreation fees
   - souvenirs

3. The tax rate should be set to collect the amount of revenue needed to offset the income tax cut recommended by the Governor's Income Tax Advisory Council, pay administrative and system costs and provide for a vendor allowance.

4. The tax rate should be the same on all taxable sales.

5. The tax rate should be the same year-round.

6. There should be a vendor allowance. The allowance should be 5 percent of the vendor's tax collections, with a maximum of $1,000 per quarterly reporting period. Vendors with collections of less than $10 in a reporting period should not be required to remit tax for that period.

7. The tax should not be called a tourist tax. The Council did not agree on a name to recommend.

These recommendations were reached by consensus with three exceptions. The council voted on including three items in the tax base. The council voted 6-5 to include souvenir clothing, 9-2 to include other types of souvenirs, and 7-4 to include admissions.

Bob Story, Chairman
Kurt Alme, Vice-Chairman

**Appendix A: Tax Revenue**

The following table shows estimated sales in 2004 of items that the Council recommends be taxed and estimates of the percent of those sales that are to nonresidents. It shows tax collections at a rate of 3.34 percent, an estimate of the amount that vendors would retain with the Council's recommended vendor allowance, estimated costs for the Department of Revenue to administer the tax, and net revenue to the state that would be available to offset an income tax cut.

**Potential Tourist Tax Net Revenue 2004**
($ million)

| Category of Sales | Nonresident % | Sales |
|---|---|---|
| Prepared Food | 30% | $1,029.756 |
| Drinks | 30% | $217.547 |
| Accommodations | 77% | $356.605 |
| Rental Cars | 70% | $70.857 |
| Rental of Recreational Equipment | 39% | $6.182 |
| Guided Recreation and Sightseeing | 80% | $74.255 |
| Admissions (except movies & school sports) | 80% | $21.646 |
| Recreation Fees | 75% | $65.221 |
| Souvenirs | 77% | $52.675 |
| Total Taxable Sales | | $1,894.745 |
| % to Nonresidents* | | 46% |
| Vendors | | 23,000 |
| **Tax @ 3.34%** (95% compliance) | | $60.120 |
| - Vendor Allowance | | -$3.086 |
| - Administration Cost | | -$1.385 |
| - System Costs | | -$0.650 |
| **Net Revenue Available for Tax Shift** | | **$54.999** |

# Glossary of Terms Used in the Executive Budget

**Account –** A name for one of the different kinds of accounts used in the PeopleSoft general ledger, such as expense, revenue, asset, liability, and equity.

**Accrual Basis** - A basis of accounting in which transactions are recognized at the time they are incurred, as opposed to when cash is received or spent. (GFOA)

**Activity** - Departmental efforts that contribute to the achievement of a specific set of program objectives; the smallest unit of the program budget. (GFOA)

**Administrative Authorization** - An administrative authorization is established to provide authority for funds transferred from another agency.

**Ad Valorem Taxes** - commonly referred to as property taxes, are levied on both real and personal property according to the property's valuation and the tax rate. (GFOA)

**Agency** - Each state office or department of the executive branch, office of the judicial branch, or office of the legislative branch of state government, except for purposes of capital projects administered by the Department of Administration, for which institutions are treated as one department and university units as one system. (MCA)

**Agency Mission** - Agency mission statements articulate the reason for an agency's existence. Stated clearly and concisely, preferably in one sentence, most mission statements will remain constant for years. All agencies are required by substantive law to develop agency mission statements for publication in the executive budget. (PBB memo)

**Agency Transfer** - Direct transfer of appropriation authority from one agency to another agency. (MOM)

**Allot** - To divide an appropriation into amounts that may be encumbered or expended during an allotment period. (GFOA)

**Annualize** - Taking changes that occurred mid-year and calculating their cost for a full year, for the purpose of preparing an annual budget. (GFOA)

**Appropriation** - A legal authorization to incur obligations and to make expenditures for specific purposes. (GFOA)

**Appropriation** - Authority established by legislative action or executive order for amounts that may be disbursed from an accounting entity, program, and/or expenditure account for a particular purpose during a specific period of time.

In the College and University Business Administration (CUBA) fund structure, the first digit of the assigned five-digit appropriation number is the same as the first digit of the accounting entity code. The second digit of the appropriation number designates the fiscal year. The third digit of these CUBA appropriation numbers is alphabetic. For example, 32E01 is an appropriation number that could be assigned to fund 31xxx for FY 2002. (MOM)

**Approved Long-Range Building Program Budget Amendment** - Approval by the budget director of a request submitted through the Architecture and Engineering Division of the Department of Administration to transfer excess funds appropriated to a capital project within an agency to increase the appropriation of another capital project within that agency or to obtain financing to expand a project with funds that were not available for consideration by the legislature. (MCA)

**Approving Authority** - means

- (a) the Governor or the designated representative for executive branch agencies;
- (b) the Chief Justice of the Supreme Court or the designated representative for judicial branch agencies,
- (c) the Speaker for the House of Representatives;
- (d) the President for the Senate;
- (e) appropriate legislative committees or a designated representative for legislative branch agencies, or
- (f) the Board of Regents of Higher Education or its designated representative for the university system. (MCA)

**Assessed Value** - The value placed on real and other property as a basis for levying taxes. (GFOA)

# Glossary of Terms Used in the Executive Budget

**Assessed Valuation** - The valuation set upon real estate and certain personal property by the assessor as a basis for levying property taxes. (GFOA)

**Assessment Ratio** - The ratio at which the tax rate is applied to the tax base. (GFOA)

**Asset** - Resources owned or held by a government, which have monetary value.

**Attrition** - A method of achieving a reduction in personnel by not refilling the positions vacated through resignation, reassignment, transfer, retirement, or means other than layoffs. (GFOA)

**Authorized Positions** - Employee positions, which are authorized in the adopted budget and are to be filled during the year. (GFOA)

**Available (Undesignated) Fund Balance** - This refers to the funds remaining from the prior year that are available for appropriation and expenditure in the current year. (GFOA)

**Base Budget** - Cost of continuing the existing levels of service in the current budget year. (GFOA); that level of funding authorized by the previous legislature. (MCA) The base budget for 2003 biennium budget development and analysis purposes is the combined level of ongoing expenditures using FY 2000 actual expenditures from authority contained in HB 2 [general appropriations act], HB 13 [pay plan], and other permanent appropriations bills. (EPP memo & MCA)

**Bond** - A long-term I.O.U. or promise to pay. It is a promise to repay a specified amount of money (the face amount of the bond) on a particular date (the maturity date). Bonds are primarily used to finance capital projects and significant information technology projects in Montana. (GFOA)

**Bond Refinancing** - The payoff and re-issuance of bonds, to obtain better interest rates and/or bond conditions. (GFOA)

**Budget** - A plan of financial activity for a specified period of time (fiscal year or biennium) indicating all planned revenues and expenses for the budget period. (GFOA); An annual financial plan showing projected costs and revenue over a specified time period. (GFOA) The 2003 biennium Governor's Executive Budget is at http://www.discoveringmontana.com/budget

**Budget Amendment** - Increases in authority are processed in accordance with Title 17, Chapter 7, and part 4, MCA. (MOM)

**Budgetary Basis** - This refers to the basis of accounting used to estimate financing sources and uses in the budget. This generally takes one of three forms: GAAP, cash, or modified accrual. (GFOA)

**Budget Calendar** - The schedule of key dates that a government follows in the preparation and adoption of the budget. (GFOA) The Montana schedule is at http://www.discoveringmontana.com/budget

**Budgetary Control** - The control or management of a government in accordance with the approved budget for the purpose of keeping expenditures within the limitations of available appropriations and resources. (GFOA)

**Capital Assets** - Assets of significant value and having a useful life of several years.

**Capital Budget** - The appropriation of bonds or operating revenue for improvements to facilities and other infrastructure. (GFOA)

**Capital Improvements** - Assets of significant value and having a useful life of several years. Capital assets are also called fixed assets. (GFOA)

**Capital Improvements** - Projects which are long-term assets such as roads, buildings, and information technology.

**Capital Projects Program** - A plan for capital outlay to be incurred each year over a fixed number of years to meet capital needs arising from the government's long-term needs.

## Glossary of Terms Used in the Executive Budget

**Capital Project** - Major construction, acquisition, or renovation activities which add value to government physical assets or significantly increase their useful life. Also called capital improvements. (GFOA)

**Capital Project Funds** - (Fund 05XXX) - To account for resources used for the acquisition or construction of major capital facilities other than those financed by proprietary, trust, or higher education funds. (MOM)

**Capital Reserve** - An account used to segregate a portion of the government's equity to be used for future capital program expenditures. The amount of capital reserve is roughly equal to the government's annual equipment depreciation and an amount identified as being needed for future capital acquisition. (GFOA)

**Carry-Forward (CA)** -Appropriation which is established as authorized by 17-7-304, MCA. Montana University System units may establish carry-forward authority for 100 percent of the money appropriated and unexpended and unencumbered; other state agencies may utilize 30 percent for any purpose that is consistent with the goals and objective of the agency. (MOM)

**Cash Basis** - A basis of accounting in which transactions are recognized only when cash is increased or decreased. (GFOA)

**Collective Bargaining Agreement** - A legal contract between the employer and a verified representative of a recognized bargaining unit for specific terms and conditions of employment (e.g., hours, working conditions, salary, fringe benefits, and matters affecting health and safety of employees). (GFOA)

**Commodities** - Expendable items that are consumable or have a short life span. Examples include office supplies, gasoline, minor equipment, and asphalt. (GFOA)

**Constant or Real Dollars** - The presentation of dollar amounts adjusted for inflation to reflect the real purchasing power of money as compared to a certain point in time in the past. (GFOA)

**Consumer Price Index (CPI)** - A statistical description of price levels provided by the U.S. Department of Labor. The index is used as a measure of the increase in the cost of living (i.e., economic inflation). (GFOA)

**Contingency** - A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted. (GFOA)

**Continuing Appropriation** - An appropriation that is valid for more than one fiscal year. (MOM)

**Contractual Services** - Services rendered to a government by private firms, individuals, or other governmental agencies. Examples include utilities, rent, maintenance agreements, and professional consulting services. (GFOA)

**Cost-of-living Adjustment (COLA)** - An increase in salaries to offset the adverse effect of inflation on compensation. (GFOA)

**Debt Service** - The cost of paying principal and interest on borrowed money according to a predetermined payment schedule. (GFOA)

**Debt Service Funds** - (A/Es 04XXX) To account for resources accumulated for payment of principal and interest on most general long-term obligations (except capital leases and compensated absences). (MOM)

**Decision Package** - Group of changes to an agency budget, presented either as a present law adjustment or a new proposal, that focus on function rather than expenditure account. (OBPP Budget Instructions)

**Dedicated Tax** - A tax levied to support a specific government program or purpose. (GFOA)

**Deficit** - The excess of an entity's liabilities over its assets or the excess of expenditures or expenses over revenues during a single accounting period. (GFOA)

# Glossary of Terms Used in the Executive Budget

**Department** - The basic organizational unit of government which has its own mission and is functionally unique in its delivery of services. (GFOA)

**Depreciation** - Expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy, or obsolescence. (GFOA)

**Direct Transfers (ATs)** - Authority for funds transferred from one state agency to another state agency pursuant to 17-8-101, 18-2-102, 18-2-105, or 90-4-607, MCA. Most ATs are zero-based grants, but the few remaining transactions are reviewed during budget development on a case-by-case basis to determine which, if either, agency should have the expenditure in its base budget. (EPP- memo)

**Disbursement** - The expenditure of monies from an account. (GFOA)

**Efficiency Indicators** - A measure of productivity and cost-effectiveness that often is expressed as a ratio of inputs to outcomes, e.g., cost per vaccination given to a child, average expenditure per pupil in elementary schools, number of miles patrolled per highway patrol officer assigned to traffic. (PBB memo)

**Effectiveness measure** - A criterion for measuring the degree to which the objective sought is attained.

**Employee (or fringe) Benefits** - Contributions made by a government to meet commitments or obligations for employee fringe benefits. Included is the government's share of costs for Social Security and the various pensions, medical, and life insurance plans. (GFOA)

**Encumbrances** - Commitments related to unperformed (executory) contracts for goods or services. (GASB)

**Entitlement** - Payments to which local governmental units are entitled, pursuant to an allocation formula determined by the agency providing the monies, usually the state or the federal government. (GFOA)

**Enterprise Funds** – Funds which account for operations that are financed and operated in a manner similar to private enterprise where the intent is to provide goods or services to the public. See proprietary funds.

**Executive Branch** - All administrative offices, boards, bureaus, commissions, units, instrumentalities, and agencies of the state not designated as part of either the judicial or the legislative branch of state government. (MOM)

**Expenditure** - The payment of cash on the transfer of property or services for the purpose of acquiring an asset, service, or settling a loss. (GFOA)

**Expenditure Account** - An expenditure classification, referring to the lowest and most detailed level of classification, such as electricity, office supplies, asphalt, and furniture. (GFOA)

**Expense** - Charges incurred (whether paid immediately or unpaid) for operations, maintenance, interest, or other charges. (GFOA)

**Fiduciary Funds** - Trust and agency funds (funds 07XXX - 09XXX) - To account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These include: (a) agency funds (fund 07XXX); (b) expendable trust funds (fund 08XXX); (c) nonexpendable trust funds (funds 090XX); and (d) pension trust funds (funds 095XX). [The Department of Administration has requested a bill to conform these funds with GASB 34, which will change expendable trust funds to *private-purpose* trust funds and nonexpendable trust funds to *permanent* funds.] (MOM)

**Fiscal Note** –Information prepared by the budget director regarding the impact of a bill on the revenues, expenditures, or fiscal liability of the state or a county or municipality, except appropriation measures that carry their own specific dollar amounts. A fiscal note may be requested by a committee considering a bill, the sponsor through the presiding officer, or a majority of the members of the house in which the bill is to be considered at the time of second reading. A fiscal note may be revised whenever additional information is received or the bill is amended to change the impact. (Title 5, Chapter 4, part 2, MCA)

# Glossary of Terms Used in the Executive Budget

**Fiscal Policy** - A government's policies with respect to revenues, spending, and debt management as these relate to government services, programs, and capital investment. Fiscal policy provides an agreed-upon set of principles for the planning and programming of government budgets and their funding. (GFOA)

**Fiscal Year** - A twelve-month period designated as the operating year for accounting and budgeting purposes in an organization. (GFOA)

**Fiscal Year (FY)** - The state fiscal year is July 1 through June 30. FY 2001 refers to the fiscal year ending June 30, 2001. The federal fiscal year (FFY) is October 1 through September 30.

**Fixed Assets** - Assets of a relatively permanent nature with a useful life of more than one year whose identity does not change with use. State agencies are required to capitalize fixed assets if the unit cost is $5,000 or more.

**Full Faith and Credit** - A pledge of a government's taxing power to repay debt obligations. (GFOA)

**Full-time Equivalent Position (FTE)** - A part-time position converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part-time typist working for 20 hours per week would be the equivalent to 0.50 of a full-time position. (GFOA/MCA)

**Function** - A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public safety). (GFOA/MCA)

**Function** - A duty, power, or general area of activity assigned to an agency. (MOM)

**Fund** - An independent financial entity with a self-balancing set of accounts provided to record assets or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of maintaining a record of specific governmental activities or as a management tool to ensure that certain objectives are in accordance with specific statutes, regulations, policies, restrictions, or limitations. A fund is designated with a unique five-digit number with the second digit indicating fund type. For example 02345 would be state special revenue, 03345 would be federal special revenue, 05345 would be capital projects, and 06345 would be proprietary. (MOM)

**Fund** - A fiscal entity with revenues and expenses that are segregated for the purpose of carrying out a specific purpose or activity. (GFOA)

**Fund Balance** - The difference between governmental fund assets and liabilities, also referred to as fund equity. (GASB)

**GAAP** - Generally Accepted Accounting Principles. Uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles. Montana statutes require conformity to GAAP. (GFOA)

**GASB 34** – This standard requires infrastructure to be included in the asset base reported in the state's annual financial statements. Examples of infrastructure include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Implemented in FY 2002. (MOM 2-02-02)

**General Fund** - (A/E 01100) - To account for all governmental financial resources except those required to be accounted for in another fund. (MOM)

**Goal** - A general end toward which an agency directs its efforts. Goals represent the highest, yet realistically achievable aspirations for a program of state government. (PBB memo)

**Grants** - A contribution by a government or other organization to support a particular function. Grants may be classified as either operational or capital, depending upon the grantee. (GFOA)

**Hourly** - An employee who fills a temporary or short-term position. Such employees provide contingency staffing for government operations during peak workloads or address temporary staffing needs. Hourly employees are paid on a per-hour basis, and receive limited benefits. (GFOA)

# Glossary of Terms Used in the Executive Budget

**HB 576** – A bill enacted by the 1995 Legislature to eliminate the requirement that most proprietary funds be appropriated. Previous to 1995, funding related to certain services was double appropriated in HB 2: once in the program paying the fees and charges, and again in the program providing the service.

**Indirect Cost** - A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to one service. (GFOA)

**Infrastructure** - The physical assets of a government (e.g., public buildings, utilities, roads, parks). (GFOA)

**Interfund Transfers** - The movement of monies between funds of the same governmental entity. (GFOA)

**Intergovernmental Revenue** - Funds received from federal, state, and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes. (GFOA)

**Internal Service Charges** - The charges to user departments for internal services provided by another government agency, such as data processing. (GFOA)

**Internal Service Funds** – Funds that account for the financing of goods or services provided by one agency to other agencies of state government.

**Legislative Appropriation** - There are three types of legislative appropriations as follows below. (MOM)

Legislative Appropriation (LA) – "Language Appropriation" contained in a bill for a non-specific, but limited dollar amount. For example, authority to accept and expend funds received for a particular purpose up to a maximum amount.

Legislative Appropriation (HB) – "House Bill" appropriation(s) for a specific dollar amount and specific purpose(s) contained in a House appropriation bill.

Legislative Appropriation (SB) – "Senate Bill" appropriation(s) for a specific dollar amount and specific purpose(s) contained in a Senate appropriation bill.

**LRBP Budget Amendment (BA)** - Approval by the Budget Director of a request submitted through the Architecture and Engineering Division of the Department of Administration to transfer excess funds appropriated for a capital project within an agency to increase the appropriation of another capital project within that agency or to obtain financing to expand a project with funds that were not available for consideration by the legislature. (MOM)

**Levy** - To impose taxes for the support of government activities. (GFOA)

**Line-item** - A portion of a program budget that is segregated to focus on what is to be bought. (GFOA)

**Long-term Debt** - Debt with a maturity of more than one year after the date of issuance. (GFOA)

**Materials and Supplies** - Expendable materials, operating supplies, and minor equipment including personal computers less than $5,000 necessary to conduct departmental operations. (GFOA)

**MBARS** - Montana Budget Analysis and Reporting System that provides all state agencies with one computerized system for budget development, maintenance and tracking. (MBARS Instruction Manual)

**Mill** - The property tax rate that is based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each $1,000 of assessed property valuation. (GFOA)

**Modified Accrual Basis** - A basis of accounting in which revenues/additions are recognized in the accounting period in which they become susceptible to accrual, when they become both measurable and available. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. Expenditures/deductions are recognized when the related liability is incurred, with certain exceptions. (MOM)

# Glossary of Terms Used in the Executive Budget

**MT PRRIME** - Montana project to reengineer the revenue and information management environment was the name of the bond authority used to create the state accounting, budgeting and human resources system (SABHRS) and the Department of Revenue revenue processing center.

**Necessary** - Essential to the public welfare and of a nature that cannot wait until the next legislative session for legislative consideration. (Schenck memo - MCA)

**New Proposals** - Requests to provide new nonmandated services, to change program services, to eliminate existing services, or to change sources of funding. All Governor's budget initiatives are contained in new proposals. (EPP - memo)

**Nominal Dollars** - The presentation of dollar amounts not adjusted for inflation. Adjusting for inflation would be done to reflect the real purchasing power of money today. (GFOA)

**Non-Discretionary** - An absolutely essential expenditure request required to maintain services and functions and to meet statutory requirements. (EPP - memo)

**Objective** - Clear targets for specific action and the quantified results of that action that are achievable, measurable and time limited. (PBB memo)

**Objectives** - Certain accomplishments a department intends to achieve during the fiscal year. (GFOA)

**Obligations** - Amounts which a government may be legally required to meet out of its resources. They include not only actual liabilities, but also encumbrances not yet paid. (GFOA)

**Operating Expenses** - The cost for personnel, materials and equipment required for a department to function. (GFOA)

**Operating Revenue** - Funds that the government receives as income to pay for ongoing operations. It includes such items as taxes, fees from specific services, interest earnings, and grant revenues. Operating revenues are used to pay for the day-to-day services. (GFOA)

**OBPP Approving Authority** - The Governor and/or OBPP when designated are the approving authority for all changes in appropriations and operating budget for the following agencies: Governor's Office, Office of the Secretary of State, Commissioner of Political Practices, Office of the State Auditor, Office of Public Instruction, Department of Justice, Public Service Regulation, Board of Public Education, School for the Deaf and Blind, Montana Arts Council, State Library Commission, Montana Historical Society, Department of Administration, Department of Agriculture, Department of Corrections, Department of Commerce, Department of Labor and Industry, Department of Military Affairs, Department of Public Health and Human Services. (MOM)

**One-Time-Only Appropriations** - (OTOs) Refers to funding authorized by the previous legislature which was assigned a separate appropriations number by the OBPP due to a statement of legislative intent that a specific amount of the funding/FTE was not to be included in the base budget for the next biennium. (EPP - memo)

**Operating Budget Change** - Moves authority from one first-level expenditure category to another within the same program without an increase or decrease in the total appropriation level for the program from this source of authority. (MOM)

**Operating Expenditures** - Generally, all expenditures that do not meet the personal services and capital outlay classification criteria. These expenditures include, but are not limited to, professional services, supplies, insurance, etc. (GFOA)

**Oracle** - Database and application development software vendor offering a variety of application development tools and a major promoter of the network computer. (<u>The Computer Glossary</u>)

**Outcome Indicators** - A way to measure results and assess program impact and effectiveness. Outcome indicators are the most important performance measures because they show whether or not expected results are being achieved, e.g., reduction in the incidence of communicable disease, percentage change in toxic air, high school graduation rate and ACT scores. (PBB memo)

# Glossary of Terms Used in the Executive Budget

**Output Indicator** - A unit of work accomplished or number of customers served, e.g., number of permits issued, number of miles of roads resurfaced, number of vaccinations given to children. Output indicators focus on the level of activity in providing the service. (PBB memo)

**Pay-as-you-go Basis** - A term used to describe a financial policy by which capital outlays are financed from current revenues rather than through borrowing. (GFOA)

**Performance Budget** - A budget wherein expenditures are based primarily upon measurable performance of activities and work programs. (GFOA)

**Performance Measures** - Specific quantitative and qualitative measures of work performed, with respect to program goals and objectives, for which data formerly was collected and reported semi-annually. (PBB memo)

**Performance Targets** - Specific level of performance to be attained within the fiscal year or biennium. (PBB memo)

**Personal Services** - Expenditures for salaries, wages, and fringe benefits of government employees. Fringe benefits include FICA, Public Employees' Retirement System, hospital and medical insurance, life insurance, workers compensation, and, if applicable, clothing allowance, education assistance, and other personal services. (GFOA)

**Present Law Base** - That additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature, including but not limited to:

- (i) changes resulting from legally-mandated workload, caseload, or enrollment increases or decreases;
- (ii) changes in funding requirements resulting from constitutional or statutory schedules or formulas;
- (iii) inflationary or deflationary adjustments; and
- (iv) elimination of nonrecurring appropriations. (EPP memo)

**Prior-Year Encumbrances** - Obligations from previous fiscal years in the form of purchase orders, contracts or salary commitments which are chargeable to an appropriation, and for which a part of the appropriation is reserved. They cease to be encumbrances when the obligations are paid or otherwise terminated. (GFOA)

**Program** - A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible. (GFOA)

**Program** - A grouping of functions or objectives that provides the basis for legislative review of agency activities for appropriations and accountability purposes. (MOM)

**Program** - As used in (this act) "program" has the same meaning as defined in 17-7-102, is consistent with the management and accountability structure established on the state accounting, budgeting and human resources system (SABHRS), and is identified as a major subdivision of an agency ordinally numbered with an Arabic numeral. (HB 2, Section 5 and MOM)

**Program Budget** - A budget which allocates money to the functions or activities of a government rather than to specific items of cost or to specific departments. (GFOA)

**Program Goals** - The general ends toward which agencies direct their efforts. A goal addresses issues by stating policy intention. Goals may be qualitative and/or quantifiable, but are not expressed in quantified terms. The order in which goals are expressed reflects the agency's priorities for use of program resources. Goals are not time-limited. Goals represent the highest, yet realistically achievable, aspirations for a program. (PBB memo)

**Program Objectives** - Clear targets for specific action and the quantified results or impacts of that action. Objectives have shorter time frames than goals and generally state quantity. An objective is achievable, measurable, time-limited and sets the direction for strategies and work plans. There usually are multiple objectives for each program goal. All agencies are required by substantive law to develop program objectives for submission with the executive budget. (PBB memo)

**Program Performance Budget** - A method of budgeting whereby the services provided are broken down in identifiable units which have measurable objectives and performance targets

# Glossary of Terms Used in the Executive Budget

**Program Revenue (Income)** - Revenues earned by a program, including fees for services, license and permit fees, and fines. (GFOA)

**Program Size** - The magnitude of a program, such as the size of clientele served or the volume of service in relation to the population or area. (Schenck memo - MCA)

**Program Size Indicator** - A measure to indicate the magnitude of a program. (Schenck memo - MCA)

**Program Transfer** - Transfer of appropriation authority between programs without an overall appropriation increase, in accordance with 17-7-139, MCA.

**Proprietary Funds** -

> **Enterprise Funds** - (Fund 060XX) - To account for operations (a) financed and operated similar to private business enterprises, where the intent of the legislature is that costs are to be financed or recovered primarily through user charges; or (b) where the legislature has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate.
>
> **Internal Service Funds** - (Fund 065XX) - To account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

**Purpose** - A broad statement of the goals, in terms of meeting public service needs, that a department is organized to meet. (GFOA)

**Reorganization** - Agency-initiated transfer of function(s) from one program to another program or transfer of 5.00 FTE or more from one program to another; or legislature-initiated transfer of any FTE, appropriations, property or other items pursuant to passage and approval of a bill. The Governor is the final arbiter in executive branch reorganization in accordance with 2-15-132, MCA. (MOM)

**Requesting Agency** - The agency of state government that has requested a specific budget or a budget amendment. (Schenck - memo MCA)

**Reporting Levels** - Sixteen-digit numbers used to establish a tree structure grouped into seven different levels. Reporting level 4 (RL4) is the analytical level at which agencies submit budgets and both the OBPP and LFD analyze, adjust and maintain approved data. (EPP memo)

**Reserve** - An account used either to set aside budgeted revenues that are not required for expenditure in the current budget year or to earmark revenues for a specific future purpose. (GFOA)

**Reserve** - A portion of a fund that is restricted for a specific purpose and not available for appropriation. (GFOA)

**Reserve for Construction** - Funds that are set aside for emergency and unanticipated needs. The amount budgeted is appropriated in the applicable fund(s). (GFOA)

**Resolution** - A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute. (GFOA)

**Resources** - Total amounts available for appropriation including estimated revenues, fund transfers, and beginning balances. (GFOA)

**Revenue** - Sources of income financing the operations of government. (GFOA)

**SABHRS** – The new PeopleSoft state accounting, budgeting, and human resources system that also includes asset management. SABHRS replaces three outdated, major legacy systems: SBAS, PPP and PAMS.

# Glossary of Terms Used in the Executive Budget

**Server** - A high-speed computer in a Local Area Network (LAN) that stores the programs and data files shared by users on the network. (The Computer Glossary)

**Service Lease** - A lease under which the leaser maintains and services the asset. (GFOA)

**Short Title** - A descriptive term used to describe a particular bill, for example the general appropriations bill may be cited as the "Budget Act". The Office of Budget and Program Planning also use the short title created by the Legislative Services Division on each fiscal note for cross-reference to the LAWS 2001.

**Site-based Budgeting** - A decentralized budget process whereby budget preparation and development are based on program and/or regional sites. (GFOA)

**Sixty Days of Expenses** - Used at the bottom of the report forms on internal service and enterprise funds to show the total of personal services, operations, and miscellaneous operating divided by 6 because 60 days is the standard allowed. Exceptions require state and/or federal authorization.

**Source of Revenue** - Revenues are classified according to their source or point of origin. (GFOA)

**Special Revenue Funds** - (Funds 02XXX - 03XXX) - To account for the proceeds of specific revenue sources restricted to expenditures for specified purposes (other than expendable trusts or major capital projects).

**Statutory Appropriation** - (SA) An appropriation specified in 17-7-502, MCA. In addition, the statute(s) must specifically state that a statutory appropriation is made. (MOM)

**Subclass – An** identification system regarding the source of appropriation authority. The subclass is a 5-byte field where the first three bytes indicate the agency program, the fourth byte indicates the source of authority, and the fifth byte is assigned by the agency.

**Supplemental Appropriation** - An additional appropriation made by the governing body after the budget year or biennium has started. (GFOA)

**Supplemental Appropriation (SP)** - There are two types of supplemental appropriations to increase spending authority for a fiscal year: A transaction in an even-numbered year which transfers spending authority from the second year of the biennium to the first year; and an appropriation passed and approved in a house bill to provide authority for the odd-numbered fiscal year ending the current biennium. (MOM)

**Tax Levy** - The resultant product when the tax rate per one hundred dollars is multiplied by the tax base. (GFOA)

**Taxes** - Compulsory charges levied by a government for the purpose of financing services performed for the common benefit of the people. This term does not include specific charges made against particular persons or property for current or permanent benefit, such as special assessments. (GFOA)

**Transfers** - All interfund transactions except loans or advances, quasi-external transactions, and reimbursements. (GFOA)

**Transfers In/Out** - Amounts transferred from one fund to another to assist in financing the services for the recipient fund. (GFOA)

**Unencumbered Balance** - The amount of an appropriation that is neither expended nor encumbered. It is essentially the amount of money still available for future purposes. (GFOA)

**Unreserved Fund Balance** - The portion of a fund's balance that is not restricted for a specific purpose and is available for general appropriation. (GFOA)

**University System Unit** - The Board of Regents; Office of the Commissioner of Higher Education; University of Montana with campuses at Missoula, Butte, Dillon and Helena; Montana State University with campuses at Bozeman, Billings, Havre and Great Falls; the Agricultural Experiment Station with central offices at Bozeman; the Forest and Conservation Experiment Station with central offices at Missoula; the Bureau of Mines and Geology with central offices at Butte; the

Fire Services Training School at Great Falls; and the Community Colleges at Miles City, Glendive, and Kalispell. (MOM, MCA)

**User Charges** - The payment of a fee for direct receipt of a public service by the party who benefits from the service. (GFOA)

**Variable Cost** - A cost that increases/decreases with increases/decreases in the amount of service provided, such as the payment of a salary. (GFOA)

**Working Capital** - The amount of cash remaining if all of the current assets were converted to cash at their book value and all of the current liabilities paid at their book value.

**Working Cash** - Excess of readily available assets over current liabilities. Or cash on hand equivalents that may be used to satisfy cash flow needs. (GFOA)

**Workload Indicator** - A unit of work to be done, e.g., number of permit applications received, the number of households receiving refuse collection service, or the number of burglaries to be investigated. (GFOA)

**Work Years** - The amount of personnel resources required for a program expressed in terms of the "full-time equivalent" number of employees. One "work year" is equal to one full-time, year round employee. For most categories, this equals 2,080 hours per year (40 hours per week times 52 weeks). The number of hours a part-time employee is budgeted to work during the year is divided by 2,080 to arrive at the equivalent number of "work years" for the position.

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| Key: | GASB = | Governmental Accounting Standards Board |
| | GFOA = | Governmental Finance Officers Association |
| | MCA = | Montana Codes Annotated |
| | MOM = | Montana Operations Manual |
| | Schenck Memo = | Report from the state Legislative Fiscal Analyst to the Legislative Finance Committee |

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